

# ForestrySA

ANNUAL REPORT 2011-12



# About ForestrySA

ForestrySA manages South Australia's state-owned plantation resource, which consists of some 90,000 ha of primarily radiata pine plantation in the Green Triangle and Ranges regions.

ForestrySA's main focus is the commercial production of log and chip, which is used to produce sawn timber, pulp, paper and posts. An annual replanting program is maintained at about 2,500 ha.

ForestrySA also provides community and recreational facilities within its forests and manages an additional 25,000 ha of native vegetation areas for conservation.

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

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



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AS 4708 (AFS): Certified

ISO 14001: Certified



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# CHAIRMAN'S REPORT



Ian Kowalick  
Chairman  
FORESTRYSA

The past year has been a period of extraordinary change and challenge for ForestrySA as a consequence of the decision by the government to sell the forward forestry rotations in the Green Triangle and very difficult market conditions brought about by uncertainty in local and global markets.

The markets for structural timber and housing have been difficult due to global and local factors that have constrained local demand, and a high Australian dollar that has allowed substantial competition from imported timber. This has resulted in a significant deterioration in ForestrySA's performance, which is discussed in more detail by the Chief Executive in his overview.

There have been several changes to the Board in recent months. Former Chairman John Ross and members Stephen Duncan and Graham Foreman retired on 31 December 2011 - we thank them for their important contribution to ForestrySA. New Board member Mark Darras and myself were appointed on 1 January 2012, while fellow Board member Alice McCleary was appointed on 26 April 2012, joining existing members Julie Obst and Kathryn Adams.

The decision to market the Green Triangle forward rotations and commencement of that sale process has consumed a significant amount of ForestrySA management time and other resources over a period of nine months. A preferred bidder has been identified (The Campbell Group) but the sale process has yet to be concluded. While ForestrySA management resources have been responsive to facilitating the sale process, ownership and management of the estate in the Adelaide Hills and in the Mid North remains with ForestrySA. Management has been careful to ensure that this long-term timber asset and its marketing have not been neglected.

The collation of information for the sale process has allowed the Board and management to reflect upon business performance and the strategies adopted over recent years. Current market difficulties notwithstanding, the strategies for growing and harvesting saw log for structural timber production remains sound and the quality of the forest, now recovered from Ash Wednesday, is very high. This is testimony to the quality of the stewardship of the owner and managers of the estate over many years.

It is notable that over the last few years in the Green Triangle, apart from the ForestrySA holdings, there has been an almost complete change in ownership or management of both blue gum and *Pinus radiata* plantations. There are fundamental changes in the nature of forest industry investment that reflects an international trend for a different class of investors to hold long-term timber assets and that is consistent with the decision to sell the ForestrySA forward rotations. The most important requirement for a prosperous timber industry is for all stages in the process to be profitable. Without profitable growing of trees and reinvestment in new plantations that take over 30 years to mature, there would be no planting, no trees to harvest and no mills in the future.

This new class of investor in forests, who manage patient capital prepared to invest in the ~30 year cycle of forestry are not a threat to the Green Triangle; rather they offer the best opportunity for prosperity in the Green Triangle. Out of all this recent change and the current challenges facing the industry (and ForestrySA) will emerge new opportunities and growth in the forestry and forest processing sectors. Forestry and timber milling have a carbon-friendly business model in a carbon sensitive world. There are innovations in timber design and timber products emerging that will change construction methods. New timber-based alternatives to concrete and steel are being recognised as having both ecological and cost advantages over other materials.

There will be many policy and market challenges in the coming year. That will include maintaining existing sales and finding new sales in a difficult market environment.

However, the most important challenge for both the ForestrySA Board and management will be transforming ForestrySA in the Green Triangle from a manager of its own forests to a service provider to a new owner of the forward rotations. I am confident this can be achieved.

I thank my fellow board members and the dedicated staff of ForestrySA for their contribution over the year.

# CHIEF EXECUTIVE'S REPORT



**Islay Robertson**  
Chief Executive  
FORESTRYSA

The operating environment for the business and for staff was very difficult in 2011-12. Two key elements contributed to this – the ongoing poor markets for structural sawlog and pulplog, both domestic and export, and the high workload associated with the forward sale for many staff.

Before focusing upon the performance of the business, I would like to extend my appreciation to staff for their efforts in servicing the forward sale process conducted by Government. As at writing this report, a new owner of the Green Triangle plantations has been announced and management and staff are looking forward to working with The Campbell Group and OneFortyOne Plantations in our new role as management service contractors for their new investment.

As foreshadowed in my 2010-11 report, market conditions were very tough for ForestrySA log sales in 2011-12. The closure of the Tantanoola pulp mill and a very difficult housing market resulted in significant reductions in sales of pulplog and sawlog respectively. Nevertheless, there were positive developments, being an improvement in preservation log sales to the rural market and a new sale of poles for electricity transmission. While the larger structural sawmillers struggled in a tough market, sales to the smaller sawmillers less exposed to the housing market, held up.

For the full year, timber product sales revenue fell 29% to \$89m and statutory trading profit fell 62% to \$18m. Reductions in net log revenue (the milldoor sale price less harvest, load and transport costs) received by diameter class, reflected substantially lower sales to ForestrySA's major structural sawlog customers with some offsetting increase in lower margin export sales. Consequently the standing timber valuation was reduced by \$46m (6%) and combined with land valuation decrements of \$14m (3%), this resulted in a comprehensive loss for the year of \$43m, up from a \$10m loss in 2011-12.

Operationally ForestrySA managed to plant over 500 ha of first rotation pine plantations, was re-certified to the Australian Forestry Standard (4708) and was recognised for its efforts in injury management, winning both the WorkCover SA Employer Excellence and SISA Excellence in Rehabilitation and Return to Work Services awards.

The contribution to the South Australian Government as dividends paid and income tax equivalent expense fell 52% from \$40.8m to \$19.5m.

Looking forward, there are signs of improvement in the industry; interest rates are lower; there appears to be an improvement in housing starts in Sydney and south east Queensland and the tallest wooden building in the world has just been constructed in Melbourne.

The ForestrySA revenue base will shift substantially in 2012-13 to fees from forest management services provided in the Green Triangle Region and to log product revenues from the Ranges Region. In both regions this revenue will be supplemented, as in the past, by Community Service Obligation funding for the business' non-commercial activity of community forestry and as supplementary funding for those research and development and fire protection activities which also benefit the whole industry and the community.

No reduction in the level of services is expected in 2012-13 but activity will occur in a more fiscally challenging environment and while the forward sale process will be complete, the process of adjusting the organisation to its new role will present another busy year for the business and especially for staff.



# SOUTH AUSTRALIAN FORESTRY CORPORATION CHARTER

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

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

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

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

## SOUTH AUSTRALIAN FORESTRY CORPORATION BOARD AND GOVERNANCE

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 while 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 Chairman of Arafura Resources Ltd and Playford Capital Pty Ltd, Deputy Chairman of the Adelaide Festival Centre Trust and a board member of NuPower Ltd. Ian is a Councillor of the University of Adelaide and Chairman 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, is Deputy Chairman of Australia Post and John Holland Engineering, and Chairman of Amanie Advisors. 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 South Australian Remuneration Tribunal.

# SOUTH AUSTRALIAN FORESTRY CORPORATION BOARD AND GOVERNANCE CONT.

## RESPONSIBILITIES OF THE BOARD

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

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

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

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

## BOARD MEETINGS

Board Members July 2011 – December 2011	Meetings attended	Eligible for attendance
John Ross (Chairman)	6	6
Stephen Duncan	6	6
Graham Foreman	6	6
Julie Obst	6	6
Kathryn Adams	6	6
Board Members January 2012 – June 2012	Meetings attended	Eligible for attendance
Ian Kowalick (Chairman)	6	6
Julie Obst	6	6
Kathryn Adams	6	6
Mark Darras	6	6
Alice McCleary	2	2

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

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

The Committee also liaises with 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 2011 – December 2011	Meetings attended	Eligible for attendance
Stephen Duncan (Chair)	2	2
Kathryn Adams	1	2
Anne Alford (Board Observer)	2	2
Members January 2012 – June 2012	Meetings attended	Eligible for attendance
Kathryn Adams (Chair to 25 June 2012)	2	2
Ian Kowalick	2	2
Alice McCleary (Appointed Chair on 25 June 2012)	1	1
Anne Alford (Board Observer)	2	2

Table 2: Audit and Risk Committee meetings



# SOUTH AUSTRALIAN FORESTRY CORPORATION BOARD AND GOVERNANCE CONT.

## Review Committee

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 the employment conditions within ForestrySA.

## BUSINESS SUSTAINABILITY

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

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

## Review Committee meetings

Members July 2011 – December 2011	Meetings attended	Eligible for attendance
Graham Foreman (Chair)	3	3
John Ross	3	3
Julie Obst	3	3
Members January 2012 – June 2012	Meetings attended	Eligible for attendance
Julie Obst (Chair)	2	2
Ian Kowalick	2	2
Mark Darras	2	2

Table 3 : Review Committee meetings

# EXECUTIVE STRUCTURE AS AT 30 JUNE 2012



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

South Australian Forestry Corporation Chief Executive

- Strategic planning
- Market development
- Communication and representation
- Human resources



**Adrian Hatch**  
*Dip Forestry, BSc Forestry*

General Manager Sales

- Sales and marketing
- Harvest
- Transport



**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
- Geographical information systems
- Forest Management System
- Records



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

General Manager Operations

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

# MARKETING AND SALES OUTLOOK

Log markets weakened considerably in the first half of the 2012 financial year with structural sawlog being the most affected. Timber processors had a number of production shuts, often at relatively short notice. The difficult market situation is attributed to sawn timber imports from Europe fueled by a strong Australian Dollar in combination with lower levels of housing starts, particularly in the Victorian and South Australian markets.

The program of changing lower grade recovery log to higher value sawlog continued during the financial year. To reflect this, revised supply conditions have been negotiated with a number of Mount Gambier customers.

ForestrySA's treated grades and packaging material customers experienced a lesser reduction in demand. These markets are less impacted by the downturn in structural timber demand.

During the year, a successful shipment of poles was completed to the power market in Western Australia. It is expected that ongoing supply to this market will continue.

Kimberly-Clark Australia's Tantanoola Pulp Mill, which was a major ForestrySA customer for pulplog, ceased operation in November 2011. The mill produced fluff pulp for tissues and hygiene products and had been a ForestrySA customer since the 1960s. ForestrySA is continuing to export softwood pulplog from the Port of Portland and is considering increasing the volume of pulplog and chip exported in response to the closure.

ForestrySA also exported log from Portland, Victoria and Port Adelaide during 2011-12. Operations ceased in Adelaide in November 2011 when the exporter Matrex Australia Pty Ltd ceased trading. Export of log continued from Portland at reduced levels due largely to the slowdown in demand from the principal market China.

Sales of preservation log products, principally posts, rails and strainers for treatment for farm markets improved. Small round log material is largely drawn from early age thinnings which greatly assisted ForestrySA in maintaining its first thinning program.

## SALES OUTCOMES

All products decreased in volume except for preservation log and local chip.

Sawlog sales from ForestrySA plantations decreased 11%.

Sales of Recovery Log reduced by 55% compared with the previous year due to changing customers to higher value sawlog grades. Overall, sales of all sawlog grades reduced by 22% reflecting a difficult market.

The closure of the Kimberly-Clark Australia's Tantanoola Pulp Mill reduced pulplog sales by 71% from the previous year.

Demand for preservation log (fence posts / strainers / rails) stabilised at more traditional levels. Sales increased by 48% compared with the previous period.

The overall sales trend is in line with market conditions. The high Australian dollar leading to imports of timber and continuing low levels of housing starts remain the principal issues that impact on structural timber

## TOTAL LOG PRODUCT

Total volume sold (m <sup>3</sup> ) from ForestrySA plantations	2011-12	2010-11
Sawlog	835,109	941,249
Recovery log	136,134	301,394
Total log	971,243	1,242,643
Pulpwood	119,229	338,709
Preservation	65,266	44,198
Chip	173,321	165,415
Total pulp	357,818	548,322
<b>TOTAL</b>	<b>1,329,061</b>	<b>1,790,965</b>

Table 4: Total log product

# PLANTATION MANAGEMENT

ForestrySA continued to manage in excess of 95,000 ha of plantation lands during 2011-12, principally *Pinus radiata* softwood. ForestrySA also continued its program of land purchase along with progressively liquidating stocks of other species in favour of *Pinus radiata*. A total of 2581 ha of *Pinus radiata* was planted in 2011, with 2,280 ha in the Green Triangle region including 576 ha of new plantations in South Australia and 301 ha of replant in the Ranges Region. Rainfall was closer to average when compared with many of the seasons over the past decade. This resulted in good planting survival levels; with a few areas insufficiently stocked having some remedial treatment during the 2012 planting season.

Total forecast planting area for 2012 is 2,602 ha including 507 ha of new plantings arising from the acquisition of new land, conversion of other species or planting previously unplanted land. Mid-rotation nutrition continued to be a priority, with a focus on the optimisation of fertiliser use combined with plantation thinning regimes to maximise production without compromising wood quality. Fertiliser prices have steadied, allowing ForestrySA to again undertake a full program in 2011. ForestrySA continued to focus on all aspects of this program to ensure maximum returns on this significant investment are realised. During the 2011-12 period, over 12,000 ha of plantation received an application of solid fertiliser.

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

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.

ForestrySA's nursery, based at Glencoe, produced over 5 million open-rooted seedlings, container seedlings and cuttings for ForestrySA use and external sales during the 2012 planting season. The production systems used aim to maximise the genetic material available while controlling the costs of production. As a part of ForestrySA's genetic strategy, the additional investment in seed orchard capacity continued to ensure that the best genetic material is available into the future.

## PLANTATION ESTABLISHMENT



Figure 1: Plantation establishment

# FOREST STATISTICS

	2011-12 (ha)	2010-11 (ha)
<b>Standing plantation area</b>		
Radiata pine	87,536	86,075
Other	1,921	1,994
<b>TOTAL</b>	<b>89,457</b>	<b>88,069</b>
<b>Natural features area</b>		
Proclaimed Native Forest Reserves	15,994	15,994
Natural features zoned "general forestry"	2,269	1,384
Natural features zoned "other" (outside Native Forest Reserve)	8,201	8,194
<b>TOTAL</b>	<b>26,464</b>	<b>25,572</b>
<b>Owned land area</b>		
Plantation <sup>1</sup>	95,337	95,029
Natural features	26,464	25,572
Non-forest <sup>2</sup>	14,678	15,524
<b>TOTAL</b>	<b>136,479</b>	<b>136,125</b>

Table 5: Forest statistics

<sup>1</sup> Includes land available for plantation, but not planted as at 30 June 2012

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

## PLANTATION RESOURCE PLANNING

Plantation resource planning supports ForestrySA's business by predicting future woodflows, providing growing stock estimates for forest valuation and evaluating alternative management practices. The basis of the resource planning function is the Yield Regulation System which incorporates appropriate and proven biometrics.

- Yield comparison reports were produced comparing Yield Regulation System yield predictions with actual sales records. Actual and predicted total product yield were consistently observed to be in very close agreement ( $\pm 2\%$ ).
- The second operational LiDAR Site Quality survey was conducted. Airborne laser scanning data were captured over 2002-04 plantations. Concurrently high density LiDAR data were captured over representative mid-rotation plantations with the aim of developing and validating airborne LiDAR based pre-harvesting inventory.
- ForestrySA continued to evaluate the potential of terrestrial laser scanning for inventory of clearfell age plantations. An extensive field trial was conducted which provided data on the accuracy of scanned stem profiles and provided a real world dataset for testing of a third party harvest scheduling application.
- The Green Triangle resource databases were updated and analysed to assist the Forward Sale process. Product mix-models were updated to reflect the latest product specifications in the Supply Agreements. Yield tables were generated that were integrated in wood flow optimising models built by external consultants. Inventory programs were focused on the Ranges region where new cutting plans and long term resource analysis are due in 2012-13.

# FOREST FIRE PROTECTION

A return to average rainfall during 2011-12 in both the Green Triangle and Ranges Regions and more typical summer weather pattern resulted in a busier fire season than the mild season experienced in 2010-11. Forest work bans were required on seven days during the 2010-11 season, while only one work ban was implemented last season.

ForestrySA fire crews attended 38 fires for the season. Only 16 of the fires attended were on ForestrySA land, with the other 22 on private land or land managed by other agencies.

The average number of fires attended over the past 10 years has been 48.

A major refurbishment of the Mount Benson fire tower was completed prior to the start of the fire season. Fire towers continue to play an important role in the early detection of fire ignitions. ForestrySA operates a network of seven fire towers in the South Australian side of the Green Triangle.

The ongoing training and up-skilling of ForestrySA fire officers continued during 2011-12. A total of 11 field fire supervisors completed training in tactical command and leadership, while six experienced officers gained their operations officer qualification.

ForestrySA employees continue to contribute to statewide fire management, with three employees being members of CFS pre-formed Level 3 incident management teams. ForestrySA provided incident management personnel for the large fire that occurred in the Southern Flinders Ranges in early January.

Over 500 ha of native forest was treated by prescribed burns during spring and autumn. Prescribed burns reduce the fire hazard in areas of native forest and can contribute to biodiversity conservation objectives.

The final prescribed burn undertaken in May in the Wirrabara Forest Reserve escaped control lines and developed into a wildfire. The fire burnt over 700 ha and was brought under control with assistance from the CFS and firefighters from the Department of Environment, Water and Natural Resources.

ForestrySA continued to contribute to fire management at the national, state and local levels. Participation on the Australasian Fire and Emergency Service Authorities 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.

## RESEARCH

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

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

Research highlights in 2011-12 included:

- Climate change or variability is one of the most significant risks facing the plantation forest industry in Australia. Modelling of potential climatic variability, especially extremes in temperature and rainfall patterns based upon the best available science is required to assist in planning for the future of the plantation industry in South Australia. Under the CSO program, ForestrySA commissioned CSIRO to model the potential future climatic conditions across the plantation growing areas of South Australia for 2030 and 2070. ForestrySA supplied soil data, tree species and plantation productivity information as well as technical advice on establishment practices, silvicultural management and harvesting regimes. CSIRO used this information to model climate variability impacts on potential plantation growth rates, weed spread, insect and disease impacts and wildfire potential. A CSIRO report which predicts impacts of potential climate change on the plantation forest industry and recommends changes in management to reduce vulnerability to climate change and impacts on plantation productivity.
- Continued access to herbicides used for the successful establishment of plantation forests and the control of both environmental and noxious weeds is a major issue in Australia.

ForestrySA has actively engaged with chemical manufactures to seek registered label changes through the Australian Pesticide and Veterinary Medicines Authority, to ensure that herbicides registered for use in forests in Australia have label directions which reflect best practice use. ForestrySA has supplied in excess of 50 research trial reports and supporting data to seek label changes for nine herbicides and one insecticide. Submissions to the Australian Pesticide and Veterinary Medicines Authority for two of the chemical products are nearing the end of their review process.

- ForestrySA participated in the CSIRO initiative Scientists in Schools program, in conjunction with Mount Gambier High School. The program involved nine ForestrySA staff, over 300 students and teachers. ForestrySA presented science education activities and lessons covering entomology, soils, native forest management, pygmy perch water quality monitoring, GPS operation and Fireking fire truck design. The overwhelming response from students and teachers was that this program made "science real" and raised awareness of the many facets of science that underpin the forest industry.
- ForestrySA received funding from the Natural Heritage Trust in 1999 for a research project "Sustainability of *Eucalyptus globulus* Farm Forestry Plantations". This led to the establishment of the Eucalyptus globulus nutrient monitoring program including both private and publically owned Tasmanian blue gum plantations across the Green Triangle. Data from the program was collected during the first rotation of these plantations and made available to the plantation owners and via PIRSA Forestry to the public. Given the nature of Tasmanian blue gum to coppice readily, many growers are managing the second rotation tree crop using coppice regrowth. A research trial has been established to investigate if coppice management is a cost effective option compared with replanting seedlings for second and subsequent crop rotations.

## FOREST HEALTH

The continued existence of a vibrant forest industry is dependent on maintaining plantations at optimum productivity.

ForestrySA supports an active forest health program involving regular monitoring, preventive strategies to mitigate known threats, and a close working relationships with national organisations and industry to ensure a coordinated approach to regional issues. This program provides advice to forest managers and a basis for the development of strategies to address forest health issues. The program informs and interacts with government and forest growers and provides a platform for knowledge transfer and exchange. The program is also strongly focused on building the capacity of the ForestrySA employees to recognise and report on forest health.

Each year ForestrySA conducts aerial forest health surveillance flights in the Green Triangle and Ranges regions. Overall, the plantations are healthy; however, this year some have been affected by the fungal disease *Diplodia pinea*. This disease has been evident throughout the Green Triangle, Victoria and southern New South Wales in 2011-12.

The biological control programs for the Sirex Woodwasp and the Monterey Pine Aphid continued. Sirex numbers are very low and both insect pests caused little damage in 2011-12.

ForestrySA continued to collaborate with BiosecuritySA on biosecurity issues at both state and national level.

ForestrySA remained involved in forest health projects with the Cooperative Research Centre for Forestry and the National Sirex Coordination Committee, the South Australian Research and Development Institute and Charles Sturt University.

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

ForestrySA provided lecturing and practical input into the Southern Cross University Forestry Degree. ForestrySA also provides extension services for other forestry companies and the general public and provides peer review for several national and international forest industry journals.

## ENVIRONMENT AND COMMUNITY HIGHLIGHTS

Highlights	Indicator	2011-12	2010-11	Measure
Global carbon cycles	Carbon sequestration (compliant Kyoto Forests)	516,922	372,062	Tonnes of carbon
Biodiversity	Rare, endangered or vulnerable plant and animal species protected in Native Forest Reserves – Green Triangle region	365	365	
	Rare, endangered or vulnerable plant and animal species protected in Native Forest Reserves – Mount Lofty Ranges and Mid North regions	293	250	
	Biodiversity corridors	70	58	ha
Energy use	Electricity consumption	487,226	438,388	Kwh
	ForestrySA total energy use *	27,924	28,917	Gj
	ForestrySA total greenhouse gas emissions *	1,585	1,609	Tonnes of CO <sub>2</sub> e
Water conservation	Area of watercourse and wetland buffer zones	278	257	ha
Compliance	EPA notifiable incidents	0	1	
	AS 4708 (Australian Forestry Standard)	Yes	Yes	Certification
	ISO 14001	Yes	Yes	Certification
Community engagement	Contributions to programs by volunteer and community participants	35,000	32,000	Hours
	Forest visitors recorded	145,000	145,465	
Community support	Sponsorship program	47,389	27,668	\$

Table 6 - Environment and community highlights

\*Refer to the Energy Efficiency Action Plan on page 54 of this report.

# SPONSORSHIP AND MAJOR COMMUNITY EVENTS

Recipient	Event / cause
AUSTimber 2012	Major expo sponsor, Mount Gambier
Riddoch Art Gallery, Mount Gambier	Naming rights sponsor - ForestrySA Wood Sculpture Competition 2012
City of Mount Gambier	Sponsor - Mayoress' Family Fun Day 2012
Christmas Party for Special Children 2011	Sponsor - allowing two South East children to attend Adelaide event
ForestrySA School Photography Competition 2011	Naming rights sponsor and event organiser
Mount Gambier Golf Club	Sponsor - Attamurra Junior Classic Tournament 2011 and Veteran's Club Championship 2011
Prostate Cancer Foundation of Australia	Sponsor - Movember 2011
Mount Gambier Breast Cancer Awareness Group	Sponsor - Breast Cancer Awareness Luncheon 2011
Gottstein Trust	Patron
Dartmoor Football and Netball Club	Sponsor - Dartmoor Rodeo State Championship Chute Out 2011
Rotary Careers Expo 2011	Sponsor - Mount Gambier expo
Mount Gambier Timber Industry Club	Sponsor - golf day 2012
PEFC International	Sponsor - PEFC Roadshow 2012
Cancer Council	Sponsor - Relay for Life 2012
Nangwarry Forestry and Logging Museum	Sponsor
South East Animal Welfare League	Sponsor - website development
Mount Gambier Showjumping Club Inc	Sponsor - Easter festival 2012
ForestrySA Artists in Residence Program 2011	Naming rights sponsor and co-organiser
Give Me Five for Kids 2011	Sponsor - South East fundraising campaign
Pines Enduro 2011	Sponsor
Southern Flinders Trail Horse Riding Club	Sponsor - Blue Ride for Prostate Cancer Research 2011

Table 7 - Sponsorship and major community events

## COMMUNITY FORESTRY PROGRAM

Community Forestry Program	Agreed performance measures	2011-12	2010-11
1. Public access and recreation	Forest visitors (recorded)	145,000	145,465
	Permits issued	11,639	13,096
	Forest events	367	353
	Compliance enforcements		
	<ul style="list-style-type: none"> <li>Offence reports: 58; Expiations: 34; Warning letters: 12; Please explain: 10.</li> </ul>	114	55
	Visitor facility planning, development and upgrade updates	10	10
	Ranger FTE delivered	7	7
2. Biodiversity and heritage	Forest Management Plans completed/reviewed/scheduled during the financial year	1 drafted	2 completed, 1 drafted
	Field days, tours and presentations to the public providing information and interpretation of natural history and forest management	5	17
3. Community engagement and participation	Groups actively engaged	18	27
	Community engagement hours recorded	35,000 (approx)	32,000 (approx)
	Forest education programs supported	6	10

Table 8 - Community Forestry Program

# COMMUNITY FORESTRY PROGRAM CONT.

## COMMUNITY SERVICE OBLIGATIONS

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

ForestrySA receives a Community Service Obligations (CSOs) contribution to fund the delivery of these activities. The provision of funding for CSOs is managed through an administrative agreement with PIRSA. The 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 control works to remove pest plants and animals from priority sites within the 25,000 ha of native vegetation 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 vegetation. These reserves contribute significantly to biodiversity conservation in South Australia.

ForestrySA collaborated with a number of groups contributing to landscape scale conservation planning in South Australia, including: the Living Flinders Conservation Action Planning project, and the Mount Compass Swamp Gum and Southern Emu-wren recovery teams.

ForestrySA has also been working with SA Water and DEWNR to undertake integrated weed control on its lands along the South Para River corridor.

In 2011-12 ForestrySA implemented the first stage of a five year project to restore native vegetation to an area of former grazing land near Glencoe, known locally as the Wandilo Pasture Strip. This 160 ha parcel of land will create a wildlife corridor linking the Wandilo and Hackett Hill Native Forest Reserves. Already a pair of brolgas have nested on one of the wetlands and raised their chick since the removal of sheep and cattle grazing from the area in 2008. Over 10,000 seedlings have been raised by local school nurseries for the project.

The Pasture Strip project compliments ForestrySA's ongoing wildlife corridor project which has already established over 9 km of corridors covering an area of 70 ha. Eight hectares of additional corridor were established in 2011-12. The objective is to establish over 20 km of corridor by the time the project is completed.

## 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 undertaken in either native forest or plantation areas. Permits were issued for camping, horse riding, cave diving and firewood collection.

The Pines Enduro, a round of the Australian Off Road Championship for off road buggies, was held in the Mount Burr forest during September. Local car rally clubs also staged a number of events on ForestrySA land during the year. Events are conducted in accordance with conditions that ensure that environmental damage is minimised and events do not disrupt forest operations. Local events usually attract up to 20 competitors.

## FOREST INDUSTRY DEVELOPMENT

ForestrySA utilises CSO funding to undertake forestry related research and to disseminate information for the benefit of the State and forestry industry, including forestry demonstration and gene conservation trials.

ForestrySA coordinated a two day forest industry herbicide research field day during October.

Research projects undertaken in 2011-12 included:

- First rotation / second rotation *Eucalyptus globulus* productivity study
- Establishment of *Eucalyptus leucoxylon* seed orchards on ForestrySA land
- Analysis of South Australian Farm Tree Improvement Project data

## COMMUNITY FIRE PROTECTION

A six-year prescribed burning plan for native forest areas in the Green Triangle was completed prior to the start of the spring burning season. Four burns were undertaken in spring and a further four in autumn treating a total of 360 ha.

In the Ranges Region ForestrySA, DEWNR and SA Water drafted fire management plan for the South Para area. The plan will be put out for public comment and completed during 2012-13.

Four prescribed burns were conducted in the Ranges Region in 2011-12, with over 175 ha treated.



# STATEMENT OF COMPREHENSIVE INCOME

FOR THE SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

	Note	Year ended 30 June 2012 \$'000	Year ended 30 June 2011 \$'000
<b>Income</b>			
Sales - Timber products		88,762	125,553
Revenues from SA Government	5(i)	3,356	2,990
Interest	5(i)	2,445	2,757
Other	5(i)	1,364	891
Net gain from the disposal of non-current assets	5(ii)	7	-
<b>Total income</b>		<b>95,934</b>	<b>132,191</b>
<b>Expenditure</b>			
Employee benefits	7	(17,152)	(15,438)
Contractors		(39,238)	(47,719)
Wood purchases		(239)	(3,338)
Depreciation and amortisation	5(iii), 15, 16	(2,554)	(2,267)
Council rates		(1,572)	(1,439)
Finance costs	5(iii)	(2,664)	(2,564)
Materials		(3,733)	(2,159)
Equipment and vehicle costs		(3,243)	(3,051)
Purchased standing timber harvested	14	-	(869)
Other		(4,209)	(4,690)
Net loss from the disposal of non-current assets	5(ii)	-	(19)
Net revaluation decrement on non-current assets	15	(3,224)	(367)
<b>Total expenses</b>		<b>(77,828)</b>	<b>(83,920)</b>
<b>Trading profit before revaluation of standing timber</b>			
Net change in value of standing timber	9, 14	(45,567)	(50,171)
<b>Profit/(loss) before income tax equivalent</b>			
Income tax equivalent expense	6	(5,332)	(14,288)
<b>Net profit/(loss) after income tax equivalent</b>	9(ii)	<b>(32,793)</b>	<b>(16,188)</b>
<b>Other comprehensive income</b>			
Land revaluation recorded in asset revaluation surplus	15	(10,410)	4,383
Buildings and structures revaluation recorded in asset revaluation surplus	15	-	1,934
<b>Total comprehensive income/(loss)</b>		<b>(43,203)</b>	<b>(9,871)</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 30 JUNE 2012

	Note	2012 \$'000	2011 \$'000
<b>Current assets</b>			
Cash and cash equivalents	9	43,014	44,755
Receivables	10	12,129	18,180
Inventories	11	2,039	1,849
Standing timber	14	20,884	82,345
Assets classified as held for sale	12	177	413
Assets classified as held for distribution to owner	13	1,032,776	-
<b>Total current assets</b>		<b>1,111,019</b>	<b>147,542</b>
<b>Non-current assets</b>			
Standing timber	14	60,478	638,250
Property, plant and equipment	15	106,517	557,178
Intangible assets	16	288	744
<b>Total non-current assets</b>		<b>167,283</b>	<b>1,196,172</b>
<b>Total assets</b>		<b>1,278,302</b>	<b>1,343,714</b>
<b>Current liabilities</b>			
Payables	17	5,520	8,593
Employee benefits	18	1,875	1,734
Interest bearing loans	19	1,383	7,172
Tax liabilities	6	501	3,992
Deferred income	20	854	841
Other provisions	21	262	123
Liabilities classified as held for distribution to owner	22	23,638	-
<b>Total current liabilities</b>		<b>34,033</b>	<b>22,455</b>
<b>Non-current liabilities</b>			
Payables	17	564	491
Employee benefits	18	3,080	2,602
Interest bearing loans	19	8,706	29,517
Deferred income	20	666	605
Other provisions	21	1,013	414
<b>Total non-current liabilities</b>		<b>14,029</b>	<b>33,629</b>
<b>Total liabilities</b>		<b>48,062</b>	<b>56,084</b>
<b>Net assets</b>		<b>1,230,240</b>	<b>1,287,630</b>
<b>Equity</b>			
Contributed capital		4,984	4,984
Reserves		1,132,017	1,187,600
Retained earnings		93,239	95,046
<b>Total equity</b>		<b>1,230,240</b>	<b>1,287,630</b>

Table 10 - Statement of financial position

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

# STATEMENT OF CASHFLOWS

FOR THE SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

	Note	2011/12 Inflows (Outflows) \$'000	2010/11 Inflows (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		96,574	129,402
Payments to suppliers and employees		(70,713)	(78,723)
Finance costs		(2,664)	(2,564)
Interest received		2,517	2,532
Receipts from SA Government		2,913	2,591
GST receipts on sales		9,323	12,932
GST payments on purchases		(5,241)	(6,345)
GST remitted to Australian Taxation Office		(4,321)	(6,704)
Income tax equivalents paid	6	(8,822)	(13,155)
<b>Net cash flows from operating activities</b>	9 (ii)	19,566	39,966
<b>Cash flows from investing activities</b>			
Redemption of other financial assets		-	27,836
Purchase of property, timber, plant and equipment		(4,085)	(12,252)
Purchase of intangible assets		(122)	(362)
Proceeds from sale of assets		100	4
<b>Net cash flows from investing activities</b>		(4,107)	15,226
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		4,166	6,061
Repayment of borrowings		(7,179)	(2,923)
Dividend paid		(14,187)	(26,516)
<b>Net cash flows from financing activities</b>		(17,200)	(23,378)
<b>Net increase/(decrease) in cash held</b>		(1,741)	31,814
<b>Cash and cash equivalents at the beginning of the period</b>		44,755	12,941
<b>Cash and cash equivalents at the end of the period</b>	9 (i)	43,014	44,755

Table 11 - Statement of cash flows

# STATEMENT OF CHANGES IN EQUITY

FOR THE SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

	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 2010</b>	<b>4,984</b>	<b>480,014</b>	<b>733,563</b>	<b>17,863</b>	<b>87,593</b>	<b>1,324,017</b>
Gain / (loss) on revaluation of property, plant and equipment	-	6,317	-	-	-	6,317
Net income/(expense) recognised directly in equity	-	6,317	-	-	-	6,317
Net profit / (loss) for the period	-	-	-	-	(16,188)	(16,188)
Total comprehensive income for 2010-11	-	6,317	-	-	(16,188)	(9,871)
Dividend	-	-	-	-	(26,516)	(26,516)
Transfers to/(from) equity	-	(689)	(50,171)	703	50,157	-
Total change for the period	-	5,628	(50,171)	703	7,453	(36,387)
<b>Balance at 30 June 2011</b>	<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)
Net income/(expense) recognised directly in equity	-	(10,410)	-	-	-	(10,410)
Net profit / (loss) for the period	-	-	-	-	(32,793)	(32,793)
Total comprehensive income for 2011-12	-	(10,410)	-	-	(32,793)	(43,203)
Dividend	-	-	-	-	(14,187)	(14,187)
Transfers to/(from) equity	-	(2)	(45,567)	396	45,173	-
Total change for the period	-	(10,412)	(45,567)	396	(1,807)	(57,390)
<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>

Table 12 - Statement of changes in equity

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

The asset revaluation surplus attributable to assets classified as held for distribution to owner is \$396,116,000.

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

### 1 CORPORATE INFORMATION

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

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

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

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

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

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

The financial statements are general purpose financial statements. The statements have been prepared in accordance with applicable Australian Accounting Standards and Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

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 2012. 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 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 2012. 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.

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

### (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 allows 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 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

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

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 twelve months preceding balance date and has calculated the weighted average return for each diameter class, after deducting direct costs incurred in realising those returns. This policy is in accordance with the requirements of AASB 141 *Agriculture*. All amounts are calculated in pre-tax dollars in accordance with the Treasurer's Instructions.

Standing timber below a marketable size (classified as young forest in note 14) is valued at fair value by annually compounding the historical establishment and maintenance cost, from the date of preparation of the site for planting, at the 10 year Commonwealth bond rate. This applies to trees up to 9 years old in the Green Triangle region, 10 years old in the Mount Lofty Ranges region and 12 years old in the Mid-North region.

The difference between the fair value of the standing timber held at the reporting date and the fair value at the previous reporting date, 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 Green Triangle forest the master database was updated as at June 2012, affecting the standing timber valuation as at 30 June 2012. For the Mount Lofty Ranges and Mid-North forests the master database was last updated as at June 2011, affecting the standing timber valuation as at 30 June 2011.

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

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

### (n) Property, plant and equipment

#### i. Recognition and measurement

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

SAFC individually capitalises all non-current physical assets with a value of \$1,000 or greater, and a low value pool is created for assets between \$300 and \$1,000. 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.

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

### 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 2011 and 2012 using valuations provided by the Valuer-General and/or local shires. SAFC undertakes an annual revaluation of land to fair value at the end of June. In accordance with APF III APS 3.8, SAFC has elected to take revaluation adjustments to the asset revaluation surplus on an individual asset basis.

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

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

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

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

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

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

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

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

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

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

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

Land and assets held for sale 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

Table 13 - Depreciation / amortisation for non-current assets

### vi. Crown land

The value of Crown land amounts to \$485 million (2011: \$489 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.



# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

## (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.

In accordance with APF IV *Financial Asset and Liability Framework* APS 5.10, SAFC does not exclude any employees in the recognition of the long service leave (2011: applied a five years benchmark at which a liability for long service leave was recognised) and includes a 10 percent (2011: nil percent) loading in addition to the nominal long service leave amount calculated.

## (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 2(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 is restricted to fund annual fire losses to the plantation of greater than \$250,000. These funds will provide cash for clearing, re-establishment and associated costs. Monies in the fire insurance fund are restricted and are therefore not available for distribution. The movement in the fire insurance fund is transferred between retained earnings and the fire insurance fund reserve.

## (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.

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

## 3 FINANCIAL RISK MANAGEMENT

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

The nature and location of SAFC's forestry operations cause concentration of credit risk in relation to trade receivables as 72% of transactions for the financial year (2011: 82%) were transactions with the six largest of SAFC's customers.

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

## 4 SEGMENT INFORMATION

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

## 5 REVENUE, OTHER INCOME AND EXPENSES

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

(i) Crediting as revenue:

	Note	2012 \$'000	2011 \$'000
Community Service Obligation funding <sup>1</sup>	1	2,965	2,605
Government Radio Network funding		365	364
Deferred revenues from SA Government		26	21
Revenues from SA Government		3,356	2,990
<sup>1</sup> Community Service Obligation (CSO) funding is received for operating expenditure, and is recognised in revenue upon receipt, and for capital expenditure, which is recognised in revenue over the life of the asset.			
Interest received or receivable			
Interest received or receivable related to cash balances <sup>1</sup>		2,230	2,627
Interest received or receivable related to trade receivables		215	130
Interest revenue		2,445	2,757
Other operating revenue			
Other revenue from non SA Government entities		1,364	891
Other revenues		1,364	891

Table 14 - Revenue, other income and expenses

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

## 5 REVENUE, OTHER INCOME AND EXPENSES CONT.

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

	Note	2012 \$'000	2011 \$'000
Land and buildings			
Net proceeds/(expenses) from disposal		(2)	(2)
Less net book value of assets disposed	15	-	(22)
Net gain/(loss) from disposal of land and buildings		(2)	(24)
Plant and equipment			
Net proceeds from disposal		102	6
Less net book value of assets disposed	15	(93)	(1)
Net gain/(loss) from disposal of plant and equipment		9	5
Total assets			
Net proceeds from disposal		100	4
Less net book value of assets disposed		(93)	(23)
Net gain/(loss) from disposal of total assets		7	(19)

(iii) Charging as expenses:

	Note	2012 \$'000	2011 \$'000
Harvesting and transport costs		33,716	42,524
Interest and guarantee fee paid or payable <sup>1</sup>	19	2,664	2,564
Depreciation of non-current assets	15	2,310	2,023
Amortisation	16	244	244
Rental expense on property operating leases		39	37
Consultants <sup>2</sup>		28	53
Total other expenses related to SA Government entities		3,071	3,628

Table 14 - Revenue, other income and expenses cont.

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

<sup>2</sup> Includes payments to one (2011: one) consultant

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

## 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 2012 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*).

	2012 \$'000	2011 \$'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>	5,332	14,288
Income tax expense	5,332	14,288

<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 \$334,000 (2011: \$643,000) are treated as expenses for tax equivalent purposes.

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

	2012 \$'000	2011 \$'000
Income tax expense	5,332	14,288
Paid during financial year related to financial year	(4,831)	(10,296)
Income tax equivalent payable as at 30 June	501	3,992

Table 15 - Income tax equivalent

## 7 EMPLOYEE BENEFITS

	2012 \$'000	2011 \$'000
Salaries and wages	12,536	11,002
Long service leave	974	577
Annual leave	1,042	969
Employment on-costs - superannuation	1,861	1,754
TVSP	-	367
Employment on-costs - other	739	769
	17,152	15,438
<b>Targeted voluntary separation packages (TVSPs)</b>		
Amount paid to these employees, included in the above amounts		
TVSP	-	367
Annual leave and long service leave balance paid	-	138
	-	505
Number of employees who were paid TVSPs during the reporting period	-	4

Table 16 - Employee benefits

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

## 8 AUDITORS' REMUNERATION

	2012 \$'000	2011 \$'000
Audit fees paid/payable to the auditors relating to the audit of the accounts for the financial year	119	108
	119	108

Table 17 - Auditors' remuneration

## 9 CASH AND CASH EQUIVALENTS

	2012 \$'000	2011 \$'000
Cash	2	3
Deposit account - SAFC	24,054	26,190
Fire insurance fund	18,958	18,562
	43,014	44,755

Table 18 - Cash and cash equivalents

### Cash flows

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

	2012 \$'000	2011 \$'000
Cash and cash equivalents as per statement of financial position	43,014	44,755
Cash and cash equivalents as per statement of cash flows	43,014	44,755

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

	2012 \$'000	2011 \$'000
Net profit after income tax equivalents	(32,793)	(16,188)
<b>Other reconciling movements</b>		
Net change in value of standing timber - harvested purchased timber	-	869
Net change in value of standing timber - other	45,567	50,171
Loss on revaluation of land	3,224	342
Loss on property, plant and equipment valuation (not land)	-	25
Depreciation and amortisation	2,555	2,267
Historic cost on disposal	(7)	19
	51,339	53,693

Table 19 - Cash flows

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

## 9 CASH AND CASH EQUIVALENTS CONT.

	2012 \$'000	2011 \$'000
<b>Changes in operating assets and liabilities</b>		
(Increase)/Decrease in debtors	6,068	2,410
(Increase)/Decrease in GST receivable	178	(21)
(Increase)/Decrease in interest receivable	72	(225)
(Increase)/Decrease in other debtors and prepayments	(113)	(99)
(Increase)/Decrease in inventories	(190)	(1,405)
(Decrease)/Increase in trade creditors	(2,791)	678
(Decrease)/Increase in GST payable	(417)	(96)
(Decrease)/Increase in employee provisions	1,433	(64)
(Decrease)/Increase in income tax equivalent payable	(3,491)	1,134
(Decrease)/Increase in other creditors	271	149
<b>Net cash flows from changes in operating balances</b>	<b>1,020</b>	<b>2,461</b>
<b>Net cash flows from operating activities</b>	<b>19,566</b>	<b>39,966</b>

Table 19 - Cash flows cont.

## 10 RECEIVABLES

	Note	2012 \$'000	2011 \$'000
<b>CURRENT</b>			
Trade receivables		11,726	17,553
Less doubtful debts		(182)	-
Accrued revenue		171	241
Prepayments		438	386
Less receivables classified as held for distribution to owner	13	(24)	-
		<b>12,129</b>	<b>18,180</b>

Table 20 - 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 2012 \$3.9 million of trade receivables were overdue (2011: \$3.7 million).

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

## 10 RECEIVABLES CONT.

	2012 \$'000	2011 \$'000
SA Government receivables		
Trade debtors	13	12
Other than trade receivables	128	208
	141	220
Non SA Government receivables		
Trade debtors	11,532	17,540
Other than trade receivables	456	420
	11,988	17,960

Table 20 - Receivables cont.

## 11 INVENTORIES

	2012 \$'000	2011 \$'000
CURRENT		
Roading rubble	156	106
Materials and stores	793	580
Nursery stock - trees	1,090	1,163
	2,039	1,849

Table 21 - Inventories

## 12 ASSETS CLASSIFIED AS HELD FOR SALE

	Note	2012 \$'000	2011 \$'000
Non-current assets classified as held for sale			
Land and buildings, property, plant and equipment		756	413
Less assets held for sale classified as held for distribution to owner	13	(579)	-
		177	413

Table 22 - Assets classified as held for sale

## 13 ASSETS CLASSIFIED AS HELD FOR DISTRIBUTION TO OWNER

	Note	2012 \$'000	2011 \$'000
Receivables	10	24	-
Assets classified as held for sale	12	579	-
Standing timber	14	593,666	-
Property, plant and equipment	15	438,182	-
Water licences	16	325	-
		1,032,776	-

Table 23 - Assets classified as held for distribution to owner

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

### 13 ASSETS CLASSIFIED AS HELD FOR DISTRIBUTION TO OWNER CONT.

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

The South Australian (SA) Government announced on 3 May 2011 that it would proceed with the forward sale of three forest rotations in the South East. At 30 June 2012 the forward sale had not been completed however the sale process was at an advanced stage and it was considered highly probable that it would be completed during 2012-13. On 22 August 2012 the SA Government announced that it had agreed to sell the forward rotations of the Green Triangle plantations to a consortium led by The Campbell Group, LLC, representing a number of investors including Australia's Future Fund. Completion of the sale is expected to occur later in 2012.

SAFC has been advised by its owner, the SA Government, that the forward sale will be structured such that:

- SAFC will distribute all relevant assets and liabilities to its owner at book value;
- The SA Government, or one of its entities other than SAFC, will then enter into contractual arrangements with the new plantation owner whereby the Green Triangle standing timber is sold, land is leased and other associated arrangements are entered into.

In these financial statements SAFC has therefore classified and presented the assets and liabilities that are expected to be involved in these transactions as "held for distribution to owner", in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

### 14 STANDING TIMBER

	Note	2012 \$'000	2011 \$'000
Opening balance		720,595	767,769
New plantings		5,542	1,808
Harvesting		(59,665)	(84,994)
Volume adjustments		80,081	77,508
Loss due to fire		(156)	-
Price changes		(71,369)	(44,493)
Net change recorded in statement of comprehensive income		(45,567)	(50,171)
New standing timber acquisitions		-	3,866
Purchased standing timber harvested		-	(869)
<b>Closing balance before distribution to owner</b>		<b>675,028</b>	<b>720,595</b>
Less standing timber classified as held for distribution to owner	13	(593,666)	-
<b>Closing balance after distribution to owner</b>		<b>81,362</b>	<b>720,595</b>

The standing timber comprises the following:

	Note	2012 \$'000	2011 \$'000
Standing timber classified as held for distribution to owner	13	593,666	-
Standing timber classified as held to maturity		81,362	720,595
<b>Total fair value</b>		<b>675,028</b>	<b>720,595</b>
Mature forest		627,654	672,511
Young forest		47,374	48,084
<b>Total fair value</b>		<b>675,028</b>	<b>720,595</b>

Table 24 - Standing timber



# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

## 14 STANDING TIMBER CONT.

Volume	Note	2012 '000 m <sup>3</sup>	2011 '000 m <sup>3</sup>
Mature forest		19,900	19,415
Young forest		1,032	982
Total volume		20,932	20,397

  

Area		2012 ha	2011 ha
Mature forest		63,415	62,386
Young forest		26,042	25,683
Total area		89,457	88,069

  

		2012 \$ '000	2011 \$ '000
<b>CURRENT ASSET</b>			
Current portion of standing timber valuation		67,226	82,345
Less current standing timber classified as held for distribution to owner	13	(46,342)	-
		20,884	82,345
<b>NON-CURRENT ASSET</b>			
Non-current portion of standing timber valuation		607,802	638,250
Less non-current standing timber classified as held for distribution to owner	13	(547,324)	-
		60,478	638,250

Table 24 - Standing timber cont.

## 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 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)
					-
Net of accumulated depreciation and impairment	77,344	12,122	2,322	14,729	106,517

Table 25 - Property, plant and equipment

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

### 15 PROPERTY, PLANT AND EQUIPMENT CONT.

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

Table 25 - Property, plant and equipment cont.

#### Revaluation of land and buildings and structures

SAFC uses the services of the Valuer General in SA and local government shires in Victoria to determine the fair value of its land. Fair value is determined by reference to market-based evidence, which is the amount for which the asset could be exchanged between knowledgeable willing buyer and a knowledgeable willing seller in an arms' length transaction as at the valuation date. The effective date of the land revaluations is 30 June 2012 (2011: 30 June 2011).

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.

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

### 15 PROPERTY, PLANT AND EQUIPMENT CONT.

#### Fair value of roads and land improvements and plant and equipment

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

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

	Land \$ '000	Buildings and structures \$ '000	Roads and land improvements \$ '000	Plant and equipment \$ '000	Total \$ '000
<b>At 30 June 2012</b>					
Cost	48,907	10,007	9,339	26,967	95,220
Accumulated depreciation and impairment	(7,588)	(1,869)	(4,055)	(12,239)	(25,751)
Less assets reclassified to distribution to owner	(39,099)	(7)	(2,970)	-	(42,076)
Net carrying amount	2,220	8,131	2,314	14,728	27,393
<b>At 30 June 2011</b>					
Cost	53,381	9,897	8,827	26,498	98,603
Accumulated depreciation and impairment	(8,500)	(1,334)	(3,689)	(11,569)	(25,092)
Net carrying amount	44,881	8,563	5,138	14,929	73,511

Table 25 - Property, plant and equipment cont.

Leasehold improvements are included in plant and equipment. Included in the roads and land improvements and plant and equipment at 30 June 2012 and 30 June 2011 are some plant and improvements in the course of construction.

#### Impairment

There were no indications of impairment of roads and land improvements and plant and equipment assets at 30 June 2012.

### 16 INTANGIBLE ASSETS

The intangible assets consist of software for operational systems and water licences. SAFC has no contractual commitment for the acquisition of intangible assets.

	Note	2012 \$ '000	2011 \$ '000
<b>COMPUTER SOFTWARE</b>			
As at 1 July, net of accumulated amortisation and impairment		419	536
Additions		113	127
Amortisation charge for the year		(244)	(244)
Total computer software, net of accumulated amortisation and impairment		288	419
<b>COMPUTER SOFTWARE</b>			
Cost or fair value		1,921	1,808
Accumulated amortisation and impairment		(1,633)	(1,389)
Net carrying amount		288	419
<b>WATER LICENCES</b>			
As at 1 July, net of accumulated amortisation and impairment		325	213
Additions		-	112
Less non-current assets classified as held for distribution to owner	13	(325)	-
Total water licences, net of accumulated amortisation and impairment		-	325

Table 26 - Intangible assets

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

## 16 INTANGIBLE ASSETS CONT.

	2012 \$ '000	2011 \$ '000
<b>WATER LICENCES</b>		
Cost or fair value	-	325
Accumulated amortisation and impairment	-	-
Net carrying amount	-	325

Table 26 - Intangible assets cont.

## 17 PAYABLES

	2012 \$ '000	2011 \$ '000
<b>CURRENT</b>		
Trade payables	4,460	7,444
Accrued expenses	672	737
Deposits held	-	59
Employee benefit on-costs	387	353
Paid parental leave scheme payable	1	-
	5,520	8,593
<b>NON-CURRENT</b>		
Employee benefit on-costs	564	491
	564	491
SA Government payables (included under payables above)		
Trade payables	214	256
Accrued expenses	328	212
	542	468

Table 27 - Payables

## 18 EMPLOYEE BENEFITS

	2012 \$ '000	2011 \$ '000
<b>CURRENT</b>		
Accrued salaries and wages	590	505
Long service leave	495	448
Annual leave	790	781
	1,875	1,734
<b>NON-CURRENT</b>		
Long service leave	3,080	2,602
	3,080	2,602

Table 28 - Employee benefits

The total current and non-current employee benefits and employee benefit on-costs for 2012 is \$5.9 million (2011: \$5.2 million). Employee benefit related on-costs are disclosed as payables.

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

## 19 INTEREST BEARING LOANS

	Note	2012 \$ '000	2011 \$ '000
<b>CURRENT</b>			
Unsecured <sup>1</sup>		9,162	7,172
Less interest bearing loans classified as held for distribution to owner	22	(7,779)	-
		1,383	7,172
<b>NON-CURRENT</b>			
Unsecured <sup>1</sup>		24,514	29,517
Less interest bearing loans classified as held for distribution to owner	22	(15,808)	-
		8,706	29,517

Table 29 - Interest bearing loans

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

Details of the fair value of SAFC's interest bearing liabilities, maturity analysis and analysis of interest rate risk are set out in note 27.

Repayments of principal and interest are due monthly with the final payment due on 18 March 2019 (2011: 18 March 2019).

## 20 DEFERRED INCOME

	Note	2012 \$ '000	2011 \$ '000
<b>CURRENT</b>			
Deferred income		878	841
Less payables classified as held for distribution to owner	22	(24)	-
		854	841
<b>NON-CURRENT</b>			
Deferred income		693	605
Less payables classified as held for distribution to owner	22	(27)	-
		666	605
<b>SA GOVERNMENT DEFERRED INCOME (included under deferred income above)</b>			
Deferred income		194	214
		194	214

Table 30 - Deferred income

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

## 21 OTHER PROVISIONS

	2012 \$ '000	2011 \$ '000
<b>CURRENT</b>		
Workers compensation	262	123
	262	123
Opening balance	123	111
Payments	(189)	(111)
Increments in provision	328	123
Closing balance	262	123
<b>NON-CURRENT</b>		
Workers compensation	1,013	414
	1,013	414
Opening balance	414	358
Payments	-	(200)
Increments/(decrements) in provision	599	256
Closing balance	1,013	414

Table 31 - Other provisions

The provision is recognised to reflect unsettled workers compensation claims based on an actuarial assessment provided 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	2012 \$ '000	2011 \$ '000
Current liabilities classified as held for distribution to owner			
Interest bearing loans	19	23,587	-
Other payables - deferred income	20	51	-
		23,638	-

Table 32 - Liabilities classified as held for distribution to owner

Refer to note 13 regarding the proposed 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 percent of after tax profit, adjusted for standing timber revaluation gains and losses and approved contributions to the fire insurance fund, plus an income tax equivalent payment. SAFC declared dividends of \$14.2 million (2011: \$26.5 million). This included an adjustment for prior year underpaid dividends of \$1.4 million (2011: prior year overpayment of \$2.1 million). Based on the above agreement SAFC will include an adjustment decreasing the 2012-13 interim dividend by \$1.6 million. In accordance with AASB 110 *Events after the Reporting Period* this amount has not been recognised in the 2011-12 financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

## 24 COMMITMENTS AND CONTINGENCIES

### a) Commitments

	2012 \$ '000	2011 \$ '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	651	523
Due later than one year but not later than five years	688	336
<b>Total operating lease commitments</b>	<b>1,339</b>	<b>859</b>

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

	2012 \$ '000	2011 \$ '000
<b>ii) Remuneration commitments</b>		
Due not later than one year	3,652	3,460
Due later than one year but not later than five years	8,562	6,042
<b>Total remuneration commitments</b>	<b>12,214</b>	<b>9,502</b>

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

	2012 \$ '000	2011 \$ '000
<b>iii) Other commitments</b>		
Due not later than one year	27,827	24,231
Due later than one year but not later than five years	75,501	21,119
<b>Total other commitments</b>	<b>103,328</b>	<b>45,350</b>

Table 33 - 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 2009 of a \$5.7 million actuarially assessed funding deficit relating to defined benefit members employed by SAFC as at 30 June 2009, requiring additional contributions over 15 years. The previous 2006 actuarial assessment indicated a deficit of \$2.5 million. In addition to regular contributions in relation to current superannuation benefits SAFC has expensed \$517,000 (2011: \$497,000) 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 have delivered the required training objectives. As at 30 June 2012 SAFC held no cash (2011: \$59,000).

# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

## 24 COMMITMENTS AND CONTINGENCIES CONT.

	2012 \$ '000	2011 \$ '000
Summary of cash flows		
Cash at beginning of year	59	22
Net funds received/(paid)	(59)	37
Cash at end of year	-	59

Table 33 - Commitments and contingencies cont.

## 25 EXECUTIVE DISCLOSURES

### (a) Details of key management personnel

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

### (b) Compensation of key management personnel

	2012 \$ '000	2011 \$ '000
Short term employee benefits paid or due and payable to or on behalf of key management personnel	847	900
Superannuation benefits paid or due and payable to or on behalf of key management personnel	84	93
	931	993

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

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

	2012 number	2011 number
\$134,013 - \$144,012	2	3
\$144,013 - \$154,012	4	2
\$164,013 - \$174,012	1	-
\$194,013 - \$204,012	-	1
\$204,013 - \$214,012	1	-
\$234,013 - \$244,012	-	1
\$254,013 - \$264,012	1	-
Total number of employees	9	7

Table 34 - Executive disclosures

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 (2011: \$1.1 million).



# NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

## 26 DIRECTORS AND RELATED PARTY DISCLOSURES

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

J.S. Ross - Chairman (to 31 December 2011)
I.J. Kowalick - Chairman (appointed 1 January 2012)
K.H. Adams
A. Darras (appointed 1 January 2012)
S.J. Duncan (to 31 December 2011)
G. Foreman (to 31 December 2011)
A. McCleary (appointed 26 April 2012)
J. Obst

Transactions between SAFC and its directors are made at arms length. There have been no such transactions in the financial year (2011: nil).

	2012 \$ '000	2011 \$ '000
Directors' remuneration		
Income paid or due and payable to or on behalf of directors, excluding superannuation benefits	188	198
Superannuation benefits paid or due and payable to or on behalf of directors	17	18
Total	205	216

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

	2012 Number	2011 Number
\$0,000 - \$9,999	1	-
\$10,000 - \$19,999	1	-
\$20,000 - \$29,999	3	-
\$30,000 - \$39,999	1	2
\$40,000 - \$49,999	2	2
\$50,000 - \$59,999	-	1
Total number of directors	8	5

Table 35 - Directors and related party disclosures

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2012

### 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 72% of transactions for the financial year were transactions with the six largest of SAFC's customers (2011: 82%).

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 2012 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 1.5% on the daily balance of the outstanding loan amounts (2011: 1.5%). The guarantee fee from 1 July 2012 is 1.5%.

	Floating rate \$'000	Non-interest bearing \$'000	Fixed interest maturing			2012 total \$'000	2011 total \$'000
			1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000		
<b>Financial assets:</b>							
Cash and cash equivalents	43,014	-	-	-	-	43,014	44,755
Other financial assets	-	-	-	-	-	-	-
Receivables <sup>1</sup>	3,615	8,101	-	-	-	11,716	17,793
	46,629	8,101	-	-	-	54,730	62,548
Weighted average interest rate	4.63%		-	-	-		
<b>Financial liabilities:</b>							
Interest bearing loans <sup>2</sup>	2,896	-	10,624	15,897	9,870	39,287	43,917
Payables <sup>3</sup>	-	5,133	-	-	-	5,133	8,182
	2,896	5,133	10,624	15,897	9,870	44,420	52,099
Weighted average interest rate, including guarantee fee	6.10%		6.97%	7.30%	8.29%		
<b>Net Financial assets/(liabilities)</b>	<b>43,733</b>	<b>2,968</b>	<b>(10,624)</b>	<b>(15,897)</b>	<b>(9,870)</b>	<b>10,310</b>	<b>10,449</b>

Table 36 - 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 2012

### 27 FINANCIAL INSTRUMENTS CONT.

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

	Carrying amount		Net fair value	
	2012 \$ '000	2011 \$ '000	2012 \$ '000	2011 \$ '000
<b>Financial liabilities</b>				
Interest bearing loans	33,676	36,689	33,394	35,834

Table 36 - Financial instruments cont.

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

Interest bearing loans with a carrying value of \$33.7 million (2011: \$36.7 million) are recorded at the nominal principal amount to be settled. This is above their net fair value of \$33.4 million (2011: \$35.8 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.

### 28 EVENTS AFTER THE REPORTING PERIOD

The South Australian (SA) Government announced on 3 May 2011 that it would proceed with the forward sale of three forest rotations in the South East. At 30 June 2012 the forward sale had not been completed however the sale process was at an advanced stage and it was considered highly probable that it would be completed during 2012-13. On 22 August 2012 the SA Government announced that it had agreed to sell the forward rotations of the Green Triangle plantations to a consortium led by The Campbell Group, LLC, representing a number of investors including Australia's Future Fund. Completion of the sale is expected to occur later in 2012.

SAFC has been advised by its owner, the SA Government, that the forward sale will be structured such that:

- SAFC will distribute all relevant assets and liabilities to its owner at book value;
- The SA Government, or one of its entities other than SAFC, will then enter into contractual arrangements with the new plantation owner whereby the Green Triangle standing timber is sold, land is leased and other associated arrangements are entered into.

# CERTIFICATION OF THE FINANCIAL REPORT

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### Certification of the Financial Statements

We certify that the:-

- Financial statements of the South Australian Forestry Corporation (SAFC):
  - Are in accordance with the accounts and records of SAFC; and
  - Comply with relevant Treasurer's instructions; and
  - Comply with relevant accounting standards; and
  - Present a true and fair view of the financial position of SAFC at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by SAFC over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Islay Robertson  
**CHIEF EXECUTIVE**  
**SOUTH AUSTRALIAN FORESTRY CORPORATION**

Date: 23/8/12 .....



Wayne Materne  
**CHIEF FINANCIAL OFFICER**  
**SOUTH AUSTRALIAN FORESTRY CORPORATION**

Date: 23 August 2012 .....



Ian Kowalick  
**CHAIRMAN**  
**SOUTH AUSTRALIAN FORESTRY CORPORATION**

Date: 23 August 2012 .....



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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 2012. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2012
- a Statement of Financial Position as at 30 June 2012
- a Statement of Changes in Equity for the year ended 30 June 2012
- a Statement of Cash Flows for the year ended 30 June 2012
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairman of the Board, the Chief Executive and the Chief Financial Officer.

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

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

### **Auditor's Responsibility**

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

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

## INDEPENDENT AUDIT REPORT CONT.

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

### **Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of the South Australian Forestry Corporation as at 30 June 2012, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.



**S O'Neill**  
**AUDITOR-GENERAL**  
26 September 2012

# STATUTORY INFORMATION

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Table 37: 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 ongoing direct and in-kind sponsorship and support of the Bundaleer Festival 2011 and Riddoch Art Gallery.
Maintain a high level of formal and informal volunteering in South Australia at 70% participation rate or higher. (T24 Volunteering)	In the 2006 calendar year ForestrySA achieved a volunteer participation rate of 9972.75 hours. In the 2011-12 financial year ForestrySA achieved a participation rate of 38,687 hours. This represents an increased participation rate of 288%.
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 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 2011-12 in Kyoto compliant plantations was 516,922 tonnes. Sequestered carbon in ForestrySA plantations has significantly increased 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 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)	Refer to Table 39 on next page.
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 2011-12, ForestrySA achieved 35,000 volunteer hours in the same native conservation areas, representing an increase of 58%.

Table 38 - ForestrySA and South Australia's Strategic Plan





# FORESTRYSA AND SOUTH AUSTRALIA'S STRATEGIC PLAN CONT.

	Green Triangle			Mount Lofty Ranges			Mid North			South Australia		
	Native Forest Reserve	Forest Reserve	Total	Native Forest Reserve	Forest Reserve	Total	Native Forest Reserve	Forest Reserve	Total	Native Forest Reserve	Forest Reserve	Total: All areas
<b>AUSTRALIAN FLORA</b>												
Critically endangered, endangered or vulnerable	10	3	10	6	8	9	2	2	3	16	10	19
<b>FLORA SA RATING</b>												
Endangered, vulnerable or rare	206	36	209	99	72	115	27	11	35	265	108	277
<b>AUSTRALIAN FAUNA</b>												
Critically endangered, endangered or vulnerable	9	-	9	3	-	3	-	-	-	11	-	11
<b>FAUNA SA RATING</b>												
Endangered, vulnerable or rare	55	-	55	17	-	17	5	-	5	73	-	73

Table 39 - ForestrySA and South Australia's Strategic Plan - Flora and Fauna

Please note: The totals above reflect all species within a region or state, from all categories. Each species is counted once only.



# FREEDOM OF INFORMATION STATEMENT

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

### Structure and functions of ForestrySA

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

### Information summary

Types of documents held by ForestrySA

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

### Documents available free of charge

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

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

### Accessing documents

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

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

Applications via Freedom of Information must be made in writing and accompanied by an application fee of \$30.50. Additional charges may be levied to process individual requests. If an applicant is able to prove they are financially disadvantaged, all fees will be waived. This charge is determined by the Freedom of Information (fees and charges) Regulations 2003 and is subject to change. Please consult these regulations before submitting requests.

### Contact officer

Freedom of Information inquiries addressed to:

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

## CONSULTANTS

	Consultant	Purpose of consultancy	Number	Total \$
Value below \$10,000	-	-	-	\$0
Value \$10,000 - \$50,000	KPMG	Review of ICT systems	1	\$27,624.60
Value above \$50,000	-	-	-	-
<b>TOTAL</b>				<b>\$27,624.60</b>

Table 40 - Consultants

## 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	8,357	85	62,205	93
Paid late but paid within 30 days or less of the due date	1,113	11	3,543	5
Paid more than 30 days from the due date	419	4	1,407	2
<b>TOTAL</b>	<b>9,889</b>	<b>100</b>	<b>67,155</b>	<b>100</b>

Table 41 - Account payment performance

# EMPLOYEE NUMBERS, GENDER AND STATUS

Total employees	
Persons (as at 30 June 2012)	183
FTEs (as at 30 June 2012)	179.1

Gender	% persons	% FTEs
Male	75	76.9
Female	25	23.1

Persons during 2011-12	
Separated from ForestrySA	56
Recruited to ForestrySA	53

Persons at 30 June 2012	
On leave without pay	2

Employees by salary bracket	Male	Female	Total
\$0 - \$51,599	58	17	75
\$51,600 - \$65,699	32	16	48
\$65,700 - \$84,099	25	8	33
\$84,100 - \$106,199	13	4	17
\$106,200+	10	0	10
TOTAL	138	45	183

\* Includes personnel employed during the fire season period.

Status of employees in current position - 2011-12					
FTEs	Ongoing	Short-term contract	Long-term contract	Other (casual)	Total
Male	100.8	14	22.9	0	137.7
Female	27.4	4	10	0	41.4
TOTAL	128.2	18	32.9	0	179.1

Persons	Ongoing	Short-term contract	Long-term contract	Other (casual)	Total
Male	101	14	23	0	138
Female	30	4	11	0	45
TOTAL	131	18	34	0	183

Table 42 - Employee numbers, gender and status

## EXECUTIVES BY GENDER, CLASSIFICATION AND STATUS

Classification	Term tenured		Term untenured		Total	
	Male	Female	Male	Female	Male	Female
	1	0	4	0	5	0
<b>Total</b>	<b>1</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>5</b>	<b>0</b>

Table 43 - Executives by gender, classification and status

## LEAVE MANAGEMENT

Leave Type	2011-12	2010-11
Sick leave	6.6	8.9
Family Carer's Leave	1.2	1.6
Miscellaneous Special Leave	0.4	1.3

Table 44 - Leave management

## 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 - \$51,599	1	75	1.3	2
\$51,600 - \$65,699	0	48	0	2
\$65,700 - \$84,099	0	33	0	2
\$84,100 - \$106,199	0	17	0	2
\$106,200+	0	10	0	2
<b>TOTAL</b>	<b>1</b>	<b>183</b>	<b>0.5</b>	<b>2</b>

Table 45 Aboriginal and/or Torres Strait Islander employees

\*Target from SASP.

## EMPLOYEES BY AGE BRACKET, BY GENDER

Age bracket	Male	Female	Total	% of total	2012 Workforce Benchmark (%)*
15-19	0	0	0	0	6.4
20-24	1	2	3	1.6	10.4
25-29	9	8	17	9.3	11.0
30-34	8	9	17	9.3	10.1
35-39	16	6	22	12.0	10.3
40-44	17	5	22	12.0	11.0
45-49	18	4	22	12.0	11.5
50-54	28	6	34	18.6	11.4
55-59	19	3	22	12.0	9.4
60-64	21	2	23	12.7	5.5
65+	1	0	1	0.5	3.0
<b>TOTAL</b>	<b>138</b>	<b>45</b>	<b>183</b>	<b>100</b>	<b>100.0</b>

Table 46 - 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 May 2011.

## CULTURAL AND LINGUISTIC DIVERSITY

	Male	Female	Total	% of ForestrySA	SA Community (%)*
Number of employees born overseas	21	5	26	14.2	20.3
Number of employees who speak language(s) other than English at home	4	0	4	2.2	16.6

Table 47 - 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	1	1	2	1.1
Physical	0	0	0	0
Intellectual	0	0	0	0
Sensory	0	0	0	0
Psychological / psychiatric	0	0	0	0

Table 48 - Employees with ongoing disabilities

## FLEXIBLE WORKING ARRANGEMENTS

	Male	Female	Total
Purchased leave	0	0	0
Flexitime	114	35	149
Compressed weeks	0	0	0
Part-time	2	12	14
Job share	0	0	0
Working from home	0	1	1

Table 49 - Flexible working arrangements

# PERFORMANCE DEVELOPMENT

Employees with:	Total
A review within the past 12 months	169
A review older than 12 months	3
No review	2

Table 50 - 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	Number
Level 1	0
Level 2	38
Level 3	64
Level 4	26
Level 5	20
Level 6	12
Level 7	2
Level 8	3
Level 9	2
Level 10	0
Level 11	1

Table 51 - Accredited training packages

# EMPLOYMENT OPPORTUNITY PROGRAMS

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

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

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

# DISABILITY ACTION PLAN

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

These include:

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

# WHISTLEBLOWERS PROTECTION ACT 1993

On no occasion during 2011-12 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	4	2	Use care during maintenance	May need removal during maintenance works
4	2	2	Monitor condition	Has asbestos present. Inspect according to legislation and policy
5	6	6	No asbestos identified / identified asbestos has been removed	All asbestos identified as per OHS&W 4.2.10 (1) has been removed
6	0	1	Further information required	These sites not yet categorised

Table 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 OHS & W Regulations (SA) 2010 (Part 5, Division 2, Asbestos).

### Interpretation

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

# TRAINING AND DEVELOPMENT EXPENDITURE

Training and development	Total cost	% of total salary expenditure
Total training and development expenditure	\$558,836	3.3
Total leadership and management development expenditure	\$109,100	0.6

Table 53 - Training and development expenditure

## OCCUPATIONAL HEALTH, SAFETY AND INJURY MANAGEMENT

### OHS&W

ForestrySA continues to be committed to managing Occupational Health, Safety and Welfare (OHS&W), endeavouring to improve the culture and climate of the organisation through continuous improvement across the business.

The Forest Safety Committee continued to develop, monitor and evaluate injury and incident prevention programs throughout the organisation, while also ensuring that existing programs continue to be invigorated and supported. The committee is well supported and informed through regular discussion papers, review and analysis of objectives and targets, monthly reports and quarterly Injury Management updates.

The Executive Group demonstrates involvement and commitment to OHSW by monitoring, reviewing, challenging and participating in the organisations OHSW programs. Executive Worksite Reviews, regular communication with key stakeholders and involvement in incident investigations are key areas which involve the Executive Group.

There has been significant work towards creation of an OHS Manual. This manual will eliminate the requirement for individual documents and be a “one stop shop” for all OHS vehicle documentation.

ForestrySA is addressing OHSW risks associated with vehicle driving. Most employees whose role involves driving on a frequent basis have been identified and have participated in the Crash Free Driving Course. This started in 2011-12 and will continue to be delivered through 2012-13.

ForestrySA is continuing to work with WorkCover towards achieving the Superior Performance for Self Insurers rating where a recent audit identified no non-conformances. If successful, ForestrySA would be the first Government agency to achieve this status.

### INJURY MANAGEMENT

A focus on the importance of early intervention and reporting of work related injuries continued throughout the year.

Fifteen claims for compensation were lodged and seven remained open at the end of the financial year. Five 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 14.98 days per claim.

The Employee Assistance Program continued to provide support to our employees with 26 employees and family members accessing the program for a range of services such as confidential counselling and physiotherapy. Assistance was also provided to help employees suffering non-work related injuries to return to and / or remain in the work place.

Our Injury Management systems were recognised with ForestrySA being presented with the WorkCover SA award for Employer Excellence and the Self Insurer’s of South Australia award for Excellence in Rehabilitation and Return to Work Services.

This success demonstrates that our focus on continual improvement and holistic approach to claims management is supported by the key stakeholders. This is maintained by our 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.





# OCCUPATIONAL HEALTH, SAFETY AND INJURY MANAGEMENT CONT.

		2011-12	2010-11
<b>1</b>	<b>OHS legislative requirements</b>		
	Number of notifiable occurrences pursuant to OHS&W Regulations Division 6.6	1	0
	Number of notifiable injuries pursuant to OHS&W Regulations Division 6.6	0	0
	Number of notices served pursuant to OHS&W Act s35, s39 and s40 (default, improvement and prohibition notices)	2	0
<b>2</b>	<b>Rehabilitation</b>		
	Total number of employees who participated in a rehabilitation programs	6	5
	Total number of employees rehabilitated and reassigned to alternate duties	0	1
	Total number of employees rehabilitated back to their original work	4	4
	Early assessment for rehabilitation within two days - (target 80%)	100%	100%
	Early intervention within five days - (target 80%)	100%	100%
	Return to work within five business days - (target 75%)	100%	0%
<b>3</b>	<b>Number of claims</b>		
	Number of new workers compensation claims in the financial year	15	13
	Number of fatalities (F)	0	0
	Medical treatment only (MTO)	10	10
	Lost time injuries (LTI) (new claims only)	5	3
	Number of open claims as at 30 June 2012	7	8
	Total number of whole working days lost	270	323
<b>4</b>	<b>Cost of workers compensation</b>		
	Income maintenance	\$43,202	\$47,394
	Amount paid for lump sum payments (under the WRC Act)		
	Section 42	\$295,746	\$185,000
	Section 43	\$30,427	\$74,352
	Section 44	Nil	Nil
	Total amount recovered from external sources (s54)	\$278,808	Nil
	Medical and rehabilitation costs combined and other costs (excluding lump sum payments)	\$135,521	\$114,272
	Budget allocation for workers compensation	\$494,500	\$423,000
	Total expenditure	\$183,537	\$373,624
	Percentage of workers compensation expenditure over gross annual remuneration	1.1%	2.4%
<b>5</b>	<b>Trends</b>		
	Severity of compensable injuries (number of days lost divided by number of lost time claims)	14.98	21.92
	Injury frequency rate for new lost-time injury / disease for each million hours worked	20.95	10.33
	Most frequent cause (mechanism) of injury	Body stressing	Body stressing
	Most expensive cause (mechanism) of injury	Body stressing	Body stressing

Table 54 - Occupational Health, Safety and Injury Management

# FOREST MANAGEMENT SYSTEM

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

ForestrySA has an integrated Forest Management System which includes the environment and sustainable forest practice requirements for Environment (ISO 14001) and the Australian Forestry Standard (AS 4708).

The Forest Management System:

- Covers all processes involved in the management and protection of native forests, plantations and other land use activities. It also covers the delivery of forest products by ForestrySA to customers.
- Applies to the total area of land under ForestrySA management control.
- Is the collection of all processes that enable ForestrySA to fulfil its obligations to its owner, customers, stakeholders, contractors and employees.
- Ensures continual improvement in efficiency, consistency and effectiveness.
- Provides a structure that integrates the various aspects of the business including environment and safety management systems and facilitates better communication.
- Supports the Triple Bottom Line approach of integrating social, environmental and financial perspectives.

Significant achievements during 2011-12:

- Review and restructure of competency assessment program.
- Implemented monthly incident review and closure process.
- Continued controlled document consolidation and rationalisation;
- Further integration of OHS&W and IM.
- Upgrade of the electronic document and records management system to TRIM 7.
- Ongoing records management program to sentence and dispose of legacy records.
- Project underway to appropriately catalogue and store the historic image collection.
- Provided broad record management training and awareness.

## OVERSEAS TRAVEL

Employees	Destination/s	Reasons for travel	Total cost to ForestrySA
2	China	Attend the China Softwood – Import / Export International Conference and Log Port / Industry Tours. 12 – 16 September 2011.	\$20,000
1	Singapore	Attend the 5th International Woodfibre Resources and Trade Conference. 1 – 2 November 2011.	\$8,000

Table 55 - Overseas travel

## 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 2011-12 portfolio target reduction is 20% 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)
2011-12 ForestrySA Total	27,924	1,585	155.95 (FTE=179)
2011-12 ForestrySA Target	29,554	2,554	120.14
Final Target (for 2014)	27,707	2 394	112.63

Table 56 - Performance against annual energy use targets

# GREENING OF GOVERNMENT OPERATIONS (GOGO)

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.

ForestrySA is a voluntary participant in the GoGo program.

Priority areas include:

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

	Unit	2011-12		2010-11	
		Consumption	Expenditure (\$)	Consumption	Expenditure (\$)
Electricity	kwh	487,226	143,173	438,388	116,176
Water	kl	4,572	12,330	5,750	17,621
Paper	ream	946	7,143	1050	7,720

Table 57 - Greening of Government Operations

## SUSTAINABLE FOREST MANAGEMENT POLICY

ForestrySA manages plantations and native forests and provides forestry services in South Australia and Victoria. ForestrySA has taken pride in the development and implementation of forestry standards and sustainable practices for over 130 years and continues to do so.

ForestrySA is committed to sustainable forest management, a safe environment for employees, and compliance with relevant legislative requirements, standards and codes.

ForestrySA's Sustainable Forest Management Policy seeks to:

- Provide the framework for Sustainable Forest Management practices, processes, systems and review.
- Optimise environmental, economic, social and cultural values of forests and lands.
- Continually improve organisational performance and forest management outcomes while ensuring the expectations of all customers, stakeholders and the community are considered.
- Protect the health, safety and welfare of all persons involved in ForestrySA activities.
- Promote and improve the delivery of Injury Management and Occupational Health Safety and Welfare by developing an interdependent safety culture, reducing risk and consulting with employees and external stakeholders.

ForestrySA will:

- Maintain a Forest Management System compatible with appropriate standards to ensure a systematic approach to forest management.
- Maximise efficiencies, minimise waste, reduce greenhouse gas emissions, prevent pollution, eliminate or control hazards and effectively manage risks.
- Conserve and enhance the biodiversity of native forests and maintain cultural, historical and scientific assets and areas of conservation significance.
- Protect soil and water resources in the regions in which ForestrySA operates.
- Manage forest pests and diseases to minimise impact upon plantations and native forests, and to minimise the risk of entry or spread across declared boundaries.

- Consider the views of stakeholders and engage with the community and agencies involved in environmental monitoring and impact assessment.
- Maintain long term productive capacity of our forests and lands.
- Manage and develop plantations in an economically sound manner whilst ensuring environmentally, socially and culturally responsible outcomes.
- Provide recreational, educational and community use opportunities that are compatible with commercial operations.
- Provide a safe and healthy working environment by promoting employee welfare, reducing the impact of workplace injuries and illnesses, supporting effective rehabilitation and equitable injury management.
- Ensure employees have the skills and resources required to carry out their duties safely by identifying and documenting responsibilities and accountabilities.
- Use internal and / or external expertise when required.

## REGIONAL IMPACT ASSESSMENT STATEMENTS

No Regional Impact Assessment Statements were prepared by ForestrySA during 2011-12.

## CONTRACTUAL ARRANGEMENTS

No contractual arrangements were entered into during 2011-12 of the type prescribed in the Department of the Premier and Cabinet Circular PC013 – Annual Reporting Requirements.

# GLOSSARY

A3P	Australian Plantation Products and Paper Industry Council	IM	Injury Management
AFPA	Australian Forest Products Association	ISO 14001	The international standard for Environmental Management Systems. It formalises methods for reviewing, reporting, documenting, monitoring and training in environmental management practices
AFS - AS 4708	Australian Forestry Standard - Identifies accepted specifications for sustainable forest management to enable independent assessment and certification to AS 4708	LiDAR	Light Detection and Ranging. A remote sensing technology adapted by ForestrySA to assess the productivity of forest plantations
ALS	Airborne Laser Scanning	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
ARC	Australian Research Council	NAFI	National Association of Forest Industries
Allowable cut	Quantity of log product/s approved for sale by the South Australian Forestry Corporation Board	Native forest	Forest consisting of native tree and other species that are endemic to South Australia
Biodiversity	Includes genetic diversity, reflecting the diversity within each species (species diversity and the variety of species) and ecosystem diversity (the diversity different communities formed by living organisms and the relationships between them)	Native Forest Reserve	An area of proclaimed Forest Reserve that has been further proclaimed as a Native Forest Reserve under the Forestry Act 1950 specifically for the conservation of native flora and fauna
Biodiversity corridor	Strip of native vegetation retained or established to link remnant native vegetation areas to allow wildlife to move from one area to another	OHS&W	Occupational, Health, Safety and Welfare
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	NSCC	National Sirex Coordination Committee
CFS	Country Fire Service	PIRSA	Department of Primary Industries and Resources South Australia
CSIRO	Commonwealth Scientific and Industrial Research Organisation	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
Conservation	The management of the natural environment to ensure its survival. A term covering preservation, maintenance, restoration and enhancement of the environment	Preservation roundwood	Logs below sawlog quality but suitable for manufacturing posts and poles
CRC	Co-operative Research Centre	Pulpwood	Logs below sawlog quality but suitable for manufacturing pulp, paper and panel products
CSO	Community Service Obligation	SAFC	South Australian Forestry Corporation
Cultural heritage	Encompasses the qualities and attributes of places that have aesthetic, historic, scientific or social value for past, present or future generations. These values may be seen in a place's physical features, but importantly can also be intangible qualities such as people's associations with, or feelings for, a place	Salvage logging	Logging carried out on areas damaged by fire, disease or storm
DEWNR	Department of Environment, Water and Natural Resources	SARDI	South Australian Research and Development Institute
DTF	Department of Treasury and Finance	SASP	South Australia's Strategic Plan
EPA	Environment Protection Authority	Sawlog	A log for processing into sawn timber
Eucalypts	Plants of the genus Eucalyptus	Silviculture	The cultivation of forest including both native forest and plantations
FFDI	Forest Fire Danger Index	Site quality	A measure of the wood producing capacity of a radiata pine plantation under circumstances of full site occupancy and representative silviculture. 1 indicates best site quality, 7 indicates poorest
FSC	Forest Safety Committee	Softwood	Timber of coniferous or cone-bearing trees irrespective of physical hardness. Includes radiata pine
FTE	Full Time Equivalent (employee)	Standing plantation	The area of standing plantation less areas that have been clear felled
FMS	Forest Management System. The FMS covers all processes involved in the management and protection of native forests, the provision of services to private forestry and establishment, and the maintenance and harvesting of the plantation estate	Sustainable yield	The level of commercial timber harvest that can be sustained in the long-term under a given forest management regime
Forest Reserve	An area of State forest, formally gazetted under the Forestry Act 1950 for long-term intent, to be managed for production, recreational, scientific, aesthetic, and environmental or protection purposes	Thinning	Removing some trees in a forest to reduce competition and thus improve or maintain the growth and health of the remaining trees
FWPA	Forest and Wood Products Australia	Timber	The general term used to describe sawn wood suitable for building and other purposes
GIS	Geographic Information Systems	TLS	Terrestrial Laser Scanning
GPS	Global Positioning System	TVSP	Targeted Voluntary Separation Package
GTRPC	Green Triangle Regional Plantation Committee	Woodchipping	The process of producing small, uniform pieces of wood (woodchips) from logs. This is the first stage of processing pulpwood into paper and fibreboard
ha	Hectare/s	Yield regulation	Predicting and managing the volume of timber to be harvested from a plantation at one time
Hardwood	Timber from broad-leaved flowering trees irrespective of physical hardness. Includes eucalypts, wattles and most rainforest species		

Table 58 - Glossary