APPENDIX 1 – 2008-09

financial statements

Forestry Tasmania

Income statements

For the year ended 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Revenue from forest sales	5	**155,272**	156,274	**155,272**	156,274
Other income	6	**21,692**	24,656	**19,697**	21,898
Tasmanian Community Forest Agreement – grant income	7	**3,504**	3,768	**3,504**	3,768
Expenses from operations					
Payments to contractors	8	**(88,259)**	(85,469)	**(88,259)**	(85,356)
Other expenses	9	**(37,917)**	(43,498)	**(37,374)**	(43,393)
Depreciation and amortisation expense	10	**(14,279)**	(12,470)	**(13,182)**	(11,378)
Employee benefits expense	11	**(29,935)**	(32,037)	**(29,935)**	(32,036)
Finance income	12	**2,166**	1,469	**2,166**	1,469
Finance expense	12	**(2,973)**	(3,879)	**(1,954)**	(2,848)
Share of net profit/(loss) of joint ventures accounted for using the equity method	36	**(15)**	(247)	**(15)**	(247)
Profit before tax, capital grant income, biological asset valuation adjustment, movement in the unfunded superannuation liability, superannuation investment, asset revaluations, gains on acquisition of subsidiaries and impairment of assets		**9,256**	8,567	**9,920**	8,152
Income tax (expense)/benefit on profits before capital grant income, biological asset valuation adjustment, movement in the unfunded superannuation liability, superannuation investment, asset revaluations, gains on acquisition of subsidiaries and impairment of assets	14	**(2,784)**	(2,603)	**(3,015)**	(2,470)
Profit after tax before capital grant income, biological asset valuation adjustment, movement in the unfunded superannuation liability, superannuation investment, asset revaluations, gains on acquisition of subsidiaries and impairment of assets		**6,472**	5,964	**6,905**	5,682
Tasmanian Community Forest Agreement – capital grant income	7	**9,484**	15,670	**9,484**	15,670
(Increase)/decrease in the unfunded superannuation liability	11, 28	**(14,950)**	(2,198)	**(14,950)**	(2,198)
Biological asset valuation increment/(decrement)	13, 19	**43,449**	(73,889)	**43,449**	(73,889)
Increase/(decrease) in the fair value of superannuation investment account	24	**(2,217)**	(2,885)	**(2,217)**	(2,885)
Gain/(loss) of subsidiary company		**-**	-	**(729)**	1,322
Impairment of non current assets	21	**(773)**	(508)	**(773)**	(508)
Income tax (expense)/benefit on these items	14	**(9,179)**	19,389	**(9,047)**	18,939
Net profit/(loss) attributable to the owners of Forestry Tasmania		**32,286**	(38,456)	**32,122**	(37,866)

The income statements are to be read in conjunction with the accompanying notes to the financial report.

Forestry Tasmania

statements OF RECOGNISED INCOME AND EXPENSE

Statements of recognised income and expense

For the year ended 30 June 2009

		Consolidated		Parent Entity	
	Note	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Revaluation of forest assets	20	**-**	325		325
Revaluation of land and buildings	21	**1,291**	1,102	**1,291**	1,102
Revaluation of land and buildings from prior year	21	**-**	(148)	**-**	(148)
Income tax on income and expense recognised direct in equity	14	**(363)**	(1,349)	**(387)**	(1,349)
Net income recognised directly in equity	30	**928**	(70)	**904**	(70)
Adjustment to retained earnings from prior year		**(163)**	148	**-**	148
Profit/(loss) for the year	30	**32,286**	(38,456)	**32,122**	(37,866)
Total recognised income and expense for the year attributable to the owners of Forestry Tasmania		**33,051**	(38,378)	**33,026**	(37,788)

The statements of recognised income and expense are to be read in conjunction with the accompanying notes to the financial report.

balance SHEETS

Balance sheets

For the year ended 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Current assets					
Cash and cash equivalents	16(a)	**37,043**	20,919	**36,855**	20,803
Trade and other receivables	2(i), 17	**31,561**	24,856	**33,608**	26,471
Inventories	18	**10,825**	10,343	**10,825**	10,345
Biological assets	2(l), 19	**23,864**	14,620	**23,864**	14,620
Total current assets		**103,293**	70,738	**105,152**	72,240
Non current assets					
Trade and other receivables	2(i), 17	**12**	50	**1,562**	1,550
Other investments	2(q), 24	**13,250**	15,751	**13,981**	17,161
Investments accounted for using the equity method	23	**216**	231	**216**	231
Deferred tax assets	14	**39,715**	35,893	**37,988**	34,203
Property, plant and equipment	2(n), 21	**58,475**	60,226	**35,485**	36,156
Forest estate assets	2(k), 20	**392,422**	388,155	**392,422**	388,155
Biological assets	2(l), 19	**361,433**	315,135	**361,433**	315,135
Intangible assets	2(o), 22	**560**	936	**560**	936
Total non current assets		**866,083**	816,377	**843,647**	793,527
Total assets		**969,376**	887,115	**948,799**	865,767
Current liabilities					
Trade and other payables	25	**17,449**	18,711	**17,590**	18,465
Revenue received in advance	26	**47,101**	18,798	**46,900**	18,649
Interest bearing liabilities	27	**19,964**	19,951	**19,800**	19,800
Employee benefits	2(s), 28	**10,451**	21,108	**10,451**	21,108
Total current liabilities		**94,965**	78,568	**94,741**	78,023
Non current liabilities					
Trade and other payables	25	**10**	10	**-**	-
Revenue received in advance	26	**8,845**	11,853	**973**	3,607
Interest bearing liabilities	27	**32,885**	33,049	**21,000**	21,000
Deferred tax liabilities	14	**145,841**	129,757	**145,381**	129,358
Employee benefits	2(s), 28	**105,304**	85,401	**105,304**	85,401
Total non current liabilities		**292,885**	260,070	**272,658**	239,367
Total liabilities		**387,850**	338,638	**367,399**	317,390
Net assets		**581,526**	548,477	**581,400**	548,377
Equity					
Contributed equity	29	**235,457**	235,457	**235,457**	235,457
Reserves	2(v), 30	**287,815**	286,684	**287,660**	286,527
Retained earnings	30	**58,254**	26,336	**58,283**	26,393
Total equity		**581,526**	548,477	**581,400**	548,377

The balance sheets are to be read in conjunction with the accompanying notes to the financial report.

Cash flow statements

For the year ended 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Cash flows from operating activities					
Inflows:					
Cash receipts from customers		**162,861**	169,215	**160,726**	166,974
Distributions received		**1,875**	625	**1,875**	625
Interest received	12	**2,166**	1,253	**2,166**	1,253
Outflows:					
Payments to suppliers and employees		**(161,633)**	(163,550)	**(160,614)**	(162,411)
Borrowing costs paid		**(1,954)**	(2,848)	**(1,954)**	(2,848)
Tax equivalents paid		**-**	-	**-**	-
Net cash provided by/(used in) operating activities	16(b)	**3,315**	4,695	**2,199**	3,593
Cash flows from investing activities					
Inflows:					
Proceeds from investments		**-**	5,968	**(50)**	5,968
Proceeds from sale of property, plant and equipment		**2,069**	888	**2,069**	888
Proceeds from the Tasmanian Community Forestry Agreement	2(e), 7	**41,792**	13,764	**41,690**	13,765
Outflows:					
Payments to suppliers and employees for plantation forest activities		**(12,094)**	(14,433)	**(12,094)**	(14,433)
Payments for property, plant and equipment and other assets		**(17,775)**	(19,488)	**(17,762)**	(19,428)
Net cash provided by/(used in) investing activities		**13,992**	(13,301)	**13,853**	(13,240)
Cash flows from financing activities					
Outflows:					
Finance lease payments		**(1,183)**	(1,170)	**-**	-
Dividend paid	15	**-**	-	**-**	-
Net cash provided by/(used in) financing activities		**(1,183)**	(1,170)	**-**	-
Net increase/(decrease) in cash and cash equivalents held		**16,124**	(9,776)	**16,052**	(9,647)
Cash and cash equivalents at the beginning of the year		**20,919**	30,695	**20,803**	30,450
Cash and cash equivalents at the end of the year	16(a)	**37,043**	20,919	**36,855**	20,803

The cash flow statements are to be read in conjunction with the accompanying notes to the financial report.

1 Details of reporting entity

The consolidated financial statements and notes thereto relate to Forestry Tasmania (the "Organisation"), which is a government business enterprise, the entities it controlled and its interest in jointly controlled entities (together referred to as the "Group"). The Group is primarily involved in the sustainable management of the Tasmanian state-owned forest.

2 Statement of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Government Business Enterprises Act 1995* (GBE) and applicable Treasurer's Instructions. The consolidated financial report of the Group and the financial report of the Organisation comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements of Forestry Tasmania for the year ended 30 June 2009 were authorised for issue by the Board of Directors on 14 August 2009.

(b) Basis of preparation

The consolidated financial statements are prepared on the historical cost basis except for the following: Biological assets are measured at fair value less estimated point-of-sale costs; Derivative financial instruments are measured at fair value; and Land under buildings and buildings are measured at fair value. The methods used to measure fair values are disclosed in note (k).

These consolidated financial statements are presented in Australian dollars, which is the functional currency of the Parent Entity and the Group. All values are rounded to the nearest thousands unless otherwise stated.

(c) Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:
Note 2 (l) i) – Biological assets – measurement of fair value less estimated point-of-sale costs

(d) Basis of consolidation

i) Subsidiaries

Subsidiaries are entities controlled by Forestry Tasmania. Control exists when Forestry Tasmania has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by Forestry Tasmania.

In the Organisation's financial statements, investments in subsidiaries are subject to impairment assessment, carried at cost.

ii) Associates and jointly controlled entities

Associates are those entities in which Forestry Tasmania has significant influence, but not control over the financial and operating policies. Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are intially recognised at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

iii) Joint ventures

Forestry Tasmania's interest in its unincorporated joint ventures is brought to account by including its proportional share of the joint venture's assets, liabilities, expenses and revenues from sale of output on a line-by-line basis. Interest in incorporated joint ventures is brought to account on an equity basis.

iv) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

(e) Revenue recognition

Sales revenue
Sale of goods

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. The point at which revenue is recognised for products sold within the State is considered to be either when the timber is loaded at the landing or delivered to the mill door. Export sales are recognised when the ship departs port.

Services

Revenue from forest management services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed at reporting date.

Proponent infrastructure fees

Revenue from site fees from proponents on the Huon and Smithton wood centre sites is recognised over the period of the initial lease term of 20 years unless it is refundable

Tasmanian Community Forest Agreement income

The revenue from the Tasmanian Community Forest Agreement (TCFA) is recognised as income when the expenses have been incurred in relation to the specific projects for which funds have been received. Any remaining funds are held in income in advance until expenditures have been incurred.

Government grants

Government grants related to expense items that are conditional are recognised as income over the periods necessary to match a grant on a systematic basis to the costs that it is intended to compensate. When a grant relates to an asset (other than biological asset), the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments. When a grant relates to a biological asset, the income is recognised in the income statement as the conditions attached to the grant are met.

Forestry rights

The proceeds received for the allocation of forestry rights are recognised in the year the proceeds are earned.

Forest valuation movement

Increments or decrements in the valuation of the biological asset are recognised as revenues or expenses in the financial year in which they occur. The net increment or decrement in total valuation is determined as the difference between the valuation at the beginning of the year and at the end of the year after adding back the valuation of forest harvested during the year.

(f) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

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

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(g) Dividend policy

Forestry Tasmania pays dividends in accordance with its statutory requirements as determined under Part II, Division 2 of the *Government Business Enterprises Act* (1995).

(h) Leased assets

Leases under which the Group assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the lower of fair value and the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense in the accounting period in which they are incurred. Capitalised lease assets are amortised on a straight-line basis over the term of the relevant lease, or where Forestry Tasmania will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by payments of principal. The interest component of the lease payments is charged to the income statement. At 30 June 2009, the net carrying amount of leased plant, machinery and equipment was $ nil (2008: $ nil).

Payments made under operating leases are recognised in profit and loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(i) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. The Organisation or the Group does not hold any financial instruments in the categories of held-to-maturity investments.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. A financial instrument is recognised if the Organisation becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Organisation's contractual rights to the cash flows from the financial assets expire or if the Organisation transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Organisation's obligations specified in the contract expire or are discharged or cancelled.

• Subsequent to initial recognition non-derivative financial instruments are measured as follows:

Cash and cash equivalents – are classified as available-for-sale financial assets and measured at fair value subsequent to initial recognition, which is the face value of the cash. Cash and cash equivalents comprise cash at bank, cash on hand and short-term deposits with an original maturity date of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Organisation's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other receivables – are classified as a loan and receivable and stated at their amortised cost less impairment losses. The collectibility of debts is assessed at balance date for identified doubtful accounts and unidentified losses and allowance is made for such identified impairment. Trade receivables with a short duration are not discounted. Collection terms are generally between 30-90 days for trade receivables.

• Deferred income is recognised as follows:

Government grants – Grants received by Forestry Tasmania for capital infrastructure projects are taken to the income statement annually in accord with the proportionate value of the depreciation expense associated with the capital asset for which the grant funds were originally received.

Infrastructure fees – Site infrastructure fees are payable by leasees at the Huon and Smithton wood centre sites. Fees are paid prior to construction of their specific business on site and as agreed within the terms of their contractual arrangements. Revenue from site fees at the Huon and Smithton wood centre sites is recognised over the period of the initial lease term of 20 years unless it is refundable.

Trade and other payables – are classified as another liability and stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30-day terms.

Funds received in advance – Funds received in advance under the TCFA are accounted for as income received in advance and will be expended in future years. The TCFA is an agreement signed by the State and Commonwealth to supplement the provisions of the Regional Forest Agreement (RFA). The majority of funds to be received by Forestry Tasmania will be for the establishment of an additional 16,000 hectares of hardwood plantations to compensate for the loss of sustainable forest due to the creation of additional conservation reserves.

Interest-bearing liabilities – are classified as another liability and stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Investments in subsidiaries are accounted for at cost less impairment losses in accordance with AASB 127.

Superannuation Investment Account – The cash and fixed interest components of this portfolio are classified as an available-for-sale financial asset and measured at fair value, with any subsequent changes in fair value taken to profit and loss.

Investment in Ta Ann Tasmania – Forestry Tasmanian contributed $2.4 million to Ta Ann Tasmania as an equity contribution through the purchase of 2,400,000 redeemable preference shares. Under the terms of the agreement, Ta Ann Plywood will purchase a tranche of 400,000 shares as at 31 December and 30 June each year until all shares have been relinquished. This investment is an available-for-sale financial asset measured at fair value, with any changes in fair value taken to equity.

Investment in EcoCentre Trust – Forestry Tasmania is part shareholder in the EcoCentre building located at Scottsdale and valued at cost. Forestry Tasmania receives a distribution from the management trust and occupies the building for administration use for which it pays a market rental for the office space occupied.

(ii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in fair value are recognised immediately in profit or loss.

(j) Inventories (excluding forest assets)

Inventories are measured at the lower of cost and net realisable value. Net realisable value is determined on the basis of each inventory line's normal selling pattern. Costs of inventory include those items incurred in bringing inventory items to their present location and condition and include the following:

• Raw materials – purchase cost or costs of direct materials and labour and a proportion of overheads
• Finished goods and work in progress – costs of direct materials and labour and a proportion of overheads

(k) Forest estate valuation – wholly owned estate

The forest estate comprises the biological assets, land and roads. To comply with AASB 141 *Agriculture* the biological assets have been separately reported in notes 19 and 20 of the accounts. The biological asset is separately reported on the balance sheet from the remaining forest estate assets.

(l) Biological assets

i) Forest

The forest crop is measured at fair value less estimated point-of-sale costs, with any changes therein recognised in profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets. This is determined using a discounted cash flow method to derive a net present 'market' value of the existing forest crop. Forestry Tasmania's rights to plantations (at harvest date) through Tree Farm Agreements are also valued using this method. The valuation assumes the continuation of existing practices with regard to forest management and silviculture. The principal assumptions which relate to the generating of discounted cash flows are set out below.

Discount rates

For wholly owned native forest stands, Forestry Tasmania's forest valuation is calculated using a pre-tax real discount rate of 9.00% (2008:9.69%). The pre-tax market-based discount rate applied to hardwood plantation crops is 9.00% (2008:9.00%) and to softwood plantation crops is 9.00% (2008:9.00%). Given the current economic climate, the Directors have given specific detailed consideration to the appropriateness of the discount rate applied. Whilst it is acknowledged that the risk-free rate used in the model to determine the discount rate has materially decreased since 30 June 2008, the Directors are satisfied that applying a higher risk-free rate to those rate indicators currently available (i.e. 10-year government bond rates) better reflects the long-term nature of the forest assets being valued. The Directors will continue to monitor this and should the trends be determined as more closely aligning to the long-term nature of the forest asset, a change will be considered. The forest valuation is sensitive to changes in price, discount rate and cost to the extent that a 5% increase in price increases the valuation by $30.630 million, a 5% increase in cost decreases the valuation by $5.625 million and 1% decrease in discount rate increases the valuation by $10.729 million.

Volumes

The native forests values are based on the expected harvest volumes of peeler and veneer logs, sawlogs, and pulpwood. Volume assessments for native forests were reviewed in 2007 as part of the Regional Forest Agreement (RFA) review process and have been updated to take into account the volume losses associated with the change in silviculture alternatives from 2010 in relation to non clearfell in old growth forests and new conservation reserves under the Tasmanian Community Forest Agreement (TCFA). Hardwood and softwood plantation volumes are based on inventory data collected from 1998 up to 2007.

Only the current standing timber crop is valued. That is, no recognition is made of the costs and returns related to future tree crops, or of the harvest and delivery of logs.

Costs and prices

There has been a change in the pricing used in the forest valuation estimate. Previously, the price was based on an average of the prior three year actuals. For this year's valuation, an average of the prior year (2008), current year (2009) and next year's (2010) budget has been used and resulted in an increase in the valuation. The impact of this change to the estimated value is in the order of $61.3 million.

Costs for forest products are based on the weighted average of Forestry Tasmania's three preceding years with an inflation factor applied to those costs. Prices are based on an average of the prior year (2008) actual, current year (2009) actual and next year's (2010) budget, except that the sale price for hardwood plantation forest products is the estimated or predetermined domestic price.

The cost of improving and managing the existing crop, inclusive of a land rental cost and administration overheads is deducted from the cash flows. The rental cost of 5% (2008:5%) is applied to the value of land supporting productive crops. Establishment and re-establishment costs for the current year and future crops are excluded.

ii) Roads

The value of the forest estate separately recognises the value of Forestry Tasmania's roads. The major and minor roads and road structures are valued at cost less any impairment.

iii) Land

Under the F*orestry Act 1920*, Forestry Tasmania has been given exclusive management rights over state forest. Land held in formal and informal reserves is not valued as these areas will not be used for production forestry and therefore do not provide an economic return to Forestry Tasmania.

A revaluation of the forest land was completed as at 1 July 2004 by the Valuer General and this value is determined to be the deemed cost under the transitional arrangements to AIFRS. Any future forest land purchases will be valued at cost.

Forestry Tasmania has recognised as revenue the sale of forestry rights over the land associated with the GMO Renewable Resources Softwood Joint Venture. The land associated with these forests was devalued in 1999/2000 by $16 million. Land values are incrementally increased with the progressive regaining of control over the remaining 61 years using the discount rate applied to plantations. The land associated with other joint ventures is retained as a Forestry Tasmania asset.

(m) Forest estate valuation – interest in joint ventures

Forestry Tasmania is involved in softwood and hardwood plantation joint ventures.

The joint venture arrangements exist in two forms. One form is for plantations established on privately owned land with Forestry Tasmania providing the management expertise and financing the majority of the other inputs. The second is where plantations are established in state forest with Forestry Tasmania providing varying amounts of management and other inputs as set out in the respective agreements. The agreements provide for the eventual harvest to be shared between the joint venturers in proportion to the discounted value of inputs calculated over the life of the ventures.

In valuing joint venture plantations the same basic method has been used as that in place for wholly owned forests to recognise Forestry Tasmania's share of the joint venture except that expenditure and revenue attributable to joint venture partners are excluded. The joint ventures have been individually valued as at 30 June 2009.

The crop value of the GMO Renewable Resources softwood plantations is based on a discounted cash flow method to derive a net present market value. The valuation was undertaken by an external consultant, PF Olsen and Company. All prices are adjusted for expected future market trends. The pre-tax market-based discount rate applied to plantation crops is 9.00% (2008:9.00%).

Up until 2004/2005, the crop value of the hardwood plantations jointly owned with Plantation Platform of Tasmania Pty Ltd (PPT) and Gunns Ltd was based on the 'cost' of establishment. As the plantation crop is now at a marketable value the valuation has been completed on a discounted cash flow method to derive a net present market value with Forestry Tasmania taking its percentage share to the balance sheet.

(n) Property, plant and equipment assets

Recognition and measurement

Land and buildings and leasehold improvements are measured at fair value less accumulated depreciation on buildings and accumulated impairment losses recognised after the date of the revaluation.

Non current assets measured at fair value are revalued with sufficient regularity to ensure the carrying amount of each asset does not differ materially from fair value at reporting date. The valuations completed for specifically identified land and buildings as at 1 July 2006 were undertaken by the Government Valuation Services. Other land and building assets are valued using Capital Value Adjustment Factors supplied from the office of the Valuer General. Revaluation increments are recognised in the asset revaluation reserve except for amounts reversing a decrement previously recognised as an expense, which are recognised as revenues. Revaluation decrements are only offset against revaluation increments relating to the same asset and any excess is recognised as an expense.

Plant and equipment, site infrastructure and pre-development costs are stated at cost less accumulated depreciation and accumulated impairment losses. Site infrastructure and pre-development cost assets are associated with Forestry Tasmania's subsidiary company Newood Holdings Pty Ltd. The assets relate to the infrastructure and development costs associated with the Huon and Smithton wood centre sites.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Borrowing costs related to the acquisition or construction of qualifying assets are recognised in profit or loss as incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss (in other income) in the year the asset is derecognised. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Depreciation and amortisation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of roads, property and equipment. Depreciation of plant and vehicles has been recognised in the profit or loss on a diminishing value basis. Leased assets are amortised over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings – 25 to 40 years
- Transmission lines – 25 years
- Plant and equipment – 2 to 15 years
- Pre-development costs – 20 years
- Site infrastructure works – 20 years, and
- Roads and road structures – 2 to 20 years

Capitalisation threshold

All land transactions are capitalised, irrespective of value. The capitalisation threshold for plant and equipment is $1,000 and $5,000 for all other classes of non-current assets.

(o) Intangible assets

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed to be finite or indefinite. Forestry Tasmania's intangible asset relates to the capitalised costs of software development for software used within the organisation for operational and strategic use.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use.

Amortisation methods and useful lives are reviewed at each reporting date.

Intangible assets related to software development are amortised over 5 years (2008: 5 years).

(p) Impairment of assets

i) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro-rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

ii) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(q) Other financial assets

Superannuation Investment Account

The Superannuation Investment Account is held within an investment portfolio comprising cash and equities with independent investment managers. Unrealised capital gains are taken to the Superannuation Revaluation Reserve.

Investment in Ta Ann Tasmania

Forestry Tasmanian contributed $2.4 million to Ta Ann Tasmania as an equity contribution through the purchase of 2,400,000 redeemable preference shares. Under the terms of the agreement, Ta Ann Plywood is required to purchase a tranche of 400,000 shares as at 31 December and 30 June each year until all shares have been relinquished. As at 30 June 2009, the balance was $0.4 million (see note 24).

Investment in subsidiaries

Acquisitions are accounted for using the purchase method. The cost is measured as the aggregate of the fair values at the date of acquisition with movement in any reassessment of the fair values taken immediately to the profit or loss. On an annual basis the movement in the fair value of the net assets is adjusted in the parent entity's financial statements.

Investment in EcoCentre Trust

Forestry Tasmania is part shareholder in the EcoCentre building located at Scottsdale and valued at cost. Forestry Tasmania receives a distribution from the management trust and occupies the building for administration use for which it pays a market rental for the office space occupied.

(r) Income tax equivalent

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items or any adjustment to tax payable in respect to previous years. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(s) Employee benefits

i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due.

ii) Provision for unfunded superannuation liability – defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted.

The discount rate is the yield at the reporting date [based on AA credit-rated or government bonds] that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Group if it realisable during the life of the plan, or on settlement of the plan liabilities.

Forestry Tasmania recognises as an expense in the current period the cost of contributions and the detailed expense figures as advised by the actuary including the actuarial gains and losses for the period.

The defined benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets.

iii) Provision for annual leave

Liabilities for annual leave expected to be settled within 12 months of the year end represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on wage and salary rates that the business expects to pay as at reporting date including related on-costs.

iv) Provision for long service leave

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided up to balance date.

In calculating the liability, consideration has been given to future increases in wage and salary rates, including on-costs, and takes into account Forestry Tasmania's experience with staff departures. The discount rates utilised in the calculation of the liability are provided by Treasury and are equivalent to an Australian Government bond rate.

All vested long service leave is shown as a current liability.

v) Provision for workers compensation

Forestry Tasmania is a self-insurer for workers compensation. The provision for workers compensation is set at a level to cover estimated medical expenses, compensation payments and likely common law settlements for reported claims as at 30 June 2009. The provision also includes an allowance for unreported claims at 30 June 2009.

vi) Provision for sick leave

No liability has been recognised in the accounts for sick leave as Forestry Tasmania operates a "no debit no credit" system for all employees.

(t) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

(u) Foreign currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the date of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the income statement in the financial year in which they occur.

Foreign currency gains and losses are reported on a net basis.

(v) Reserves

Property revaluation reserve – Forestry Tasmania's land under buildings and building assets are valued at fair value with any changes in the values of the asset taken to the reserve.

General reserve – In the 1995-96 financial year the retained profits of the former Forestry Commission were transferred into a general reserve.

Superannuation reserve – The reserve balance comprises the value of funds provided by the Government to be invested by Forestry Tasmania for offsetting the unfunded superannuation liability and to be available for the reimbursement of superannuation payments as required.

3 New standards not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact on the Group in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report:

Revised AASB 3 *Business Combinations (2008)* incorporates changes to the measurement criteria. The revision AASB 3, which become mandatory for the Group's 30 June 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statements.

AASB 127 *Consolidated and Separate Financial Statements (2008)* requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for the Group's 30 June 2010 financial statements, are not expected to have a significant impact on the consolidated financial statements.

AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. This new standard will not apply to the Group, and therefore segment disclosures will no longer be required.

AASB 101 *Presentation of Financial Statements (2007)* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from the review of AASB 101* introduces as a financial statement the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other standards. The revised AASB 101, which becomes mandatory for the Group's 30 June 2010 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2010 consolidated financial statements.

AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process* and 2008-6 *Further Amendments to Australian Accounting Standards* arising from the Annual Improvements Process affects various AASB's resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2010 financial statements, are not expected to have any impact on the financial statements.

AASB 2008-7 *Amendments to Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* changes the recognition and measurement of dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amendments.

AASB 2008-8 *Amendments to Australian Accounting Standards – Eligible Hedged Items* clarifies the effect of using options as hedged instruments and the circumstances in which inflation risk can be hedged. The amendments become mandatory for the Group's 30 June 2010 financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.

Revised AASB *123 Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised standard will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy for the Group. Forestry Tasmania has not yet determined the potential effect of the revised standard on future earnings.

4 Financial risk management

Forestry Tasmania and the Group have exposure to the following risks from their use of financial instruments:

• Credit risk
• Liquidity risk
• Market risk

This note and note 40 presents information about Forestry Tasmania's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Audit and Risk Committee is responsible for developing and monitoring risk management policies and reports regularly to the Board on these activities.

The risk management and investment policies are established to identify and analyse the risks faced by Forestry Tasmania, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The Audit and Risk Committee oversees how management monitors compliance with the Corporation's risk management and investment policies and is assisted in this task by Internal Audit. In 2008/09 Forestry Tasmania conducted a review of its business risks, which incorporated financial risk management issues.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. For Forest Tasmania it also arises from receivables due from subsidiaries.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to manage the business with the objective that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Capital management

The Board's objective is to achieve a BBB credit rating. In 2007/08 a capital structure review was completed with the results indicating that Forestry Tasmania's ability to achieve and maintain a BBB credit rating is impacted by the value of the unfunded superannuation liability, which is treated as debt for capital rating purposes.

The Board monitors the level of dividends payable to the shareholder and the Corporation's return on assets. The return on assets is impacted by the value of non operating accounting impacts to the net profit before tax. Net debt and interest coverage ratios exclude the movement in and the balance of the unfunded superannuation liability.

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
5 Revenue from forest sales				
Sales revenue	**136,773**	137,755	**136,773**	137,755
Share of GMO joint venture revenue	**18,499**	18,519	**18,499**	18,519
	155,272	156,274	**155,272**	156,274
6 Other income				
Gain on sale of assets	**195**	-	**195**	-
Forest management services income	**7,624**	10,182	**7,624**	10,182
Government grants	**3,517**	1,162	**3,216**	782
Firefighting income	**617**	1,464	**617**	1,464
Nursery and seed sales	**249**	1,544	**249**	1,544
Tourism revenue	**2,622**	2,879	**2,622**	2,879
Proponent infrastructure fees	**150**	150	**-**	-
Other revenue	**6,718**	7,275	**5,174**	5,047
	21,692	24,656	**19,697**	21,898
7 Tasmanian Community Forest Agreement income				
Grant income for operating activities	**3,504**	3,768	**3,504**	3,768
Grant income for capital expenditure activities	**9,484**	15,670	**9,484**	15,670
	12,988	19,438	**12,988**	19,438
8 Contractor expenses				
	88,259	85,469	**88,259**	85,356
9 Other expenses				
Share of GMO joint venture expenses	**15,674**	17,680	**15,674**	17,680
Other	**5,751**	7,540	**5,287**	7,385
Freight	**1,526**	4,178	**1,526**	4,178
Office expenses	**2,652**	2,792	**2,652**	2,792
Local government rates	**2,498**	2,397	**2,483**	2,380
Property rental	**2,154**	2,294	**2,154**	2,316
Consultancies and professional services	**1,198**	730	**1,163**	702
Fuel	**1,721**	1,872	**1,721**	1,872
Property management	**1,701**	1,360	**1,672**	1,435
Minor equipment purchases and rentals	**1,276**	805	**1,276**	805
Information technology expense	**619**	655	**619**	655
Operating lease rentals	**430**	344	**430**	344
Loss on sale of assets	**-**	231	**-**	231
Travel and accommodation	**717**	620	**717**	620
	37,917	43,498	**37,374**	43,393

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
10 Depreciation and amortisation expense				
Plant and equipment	**2,087**	1,972	**2,087**	1,972
Plant and equipment under finance lease	**927**	592	**-**	-
Site infrastructure	**170**	500	**-**	-
Roads and road structures	**7,931**	8,055	**7,931**	8,055
Buildings and leasehold improvements	**2,758**	964	**2,758**	964
Intangibles	**406**	387	**406**	387
	14,279	12,470	**13,182**	11,378
11 Employee benefits expense				
Salaries and wages	**25,668**	27,800	**25,668**	27,800
Other associated expenses	**340**	359	**340**	359
Contribution to superannuation funds	**2,680**	2,679	**2,680**	2,679
Workers compensation costs	**1,020**	1,006	**1,020**	1,006
Redundancy payments	**227**	193	**227**	193
	29,935	32,037	**29,935**	32,036
Increase/(decrease) in liability for the unfunded superannuation liability	**14,950**	2,198	**14,950**	2,198
	44,885	34,235	**44,885**	34,234
12 Finance income and expense				
Recognised in profit or loss				
Interest income	**(2,166)**	(1,469)	**(2,166)**	(1,469)
Total finance income	**(2,166)**	(1,469)	**(2,166)**	(1,469)
Borrowing costs	**2,287**	2,652	**2,287**	2,652
Finance charge related to finance lease	**1,019**	1,031	**-**	-
Foreign exchange (gains)/losses	**(333)**	196	**(333)**	196
Total finance expense	**2,973**	3,879	**1,954**	2,848
Net finance (income)/expense	**807**	2,410	**(212)**	1,378
13 Movement in valuation of standing timber				
The impact that the increment/(decrement) in the valuation of the standing timber asset has on the results of the organisation can be reconciled as follows:				
Gross increase/(decrease) in the valuation of the native forest and plantation assets – Forestry Tasmania	**51,093**	(55,956)	**51,093**	(55,956)
Gross increase/(decrease) in the valuation of plantation standing timber – GMO Softwood Joint Venture	**4,450**	(3,500)	**4,450**	(3,500)
Less current year plantation establishment costs and future crop expenditure (primarily contractor expenses) incurred during the financial year	**(12,094)**	(14,433)	**(12,094)**	(14,433)
Net impact on operating profit before income tax	**43,449**	(73,889)	**43,449**	(73,889)

The valuation of the standing timber asset is undertaken as outlined in notes 2(l)(i) and 2(m). The valuation is based on the standing timber assets as at 1 July 2008. The valuation is not completed as at 30 June 2009 due to the unavailability of data related to the 2008-09 financial year. Therefore the current year valuation does not include the impact of additional plantings and harvest activity that have occurred in the 2008-09 financial year. The net effect of completing the valuation as at 1 July 2008 is immaterial due to the management and growth of the standing timber asset over time.

The increase in the valuation of Forestry Tasmania's native forest and plantation asset is due principally to the change in the average stumpage price calculation, moving from an average over the prior three years (2006-2008) to an average of the prior (2008), current (2009) and next year (budget 2010). The impact of these valuation changes on the carrying values recognised on the balance sheet is detailed in note 19.

The movement in the valuation of the standing timber asset has no impact on the cash flows of Forestry Tasmania and is accounted for after the results from operating activities as identified on the income statement.

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
14 Taxation				
a) Current tax expense/(income)				
Current tax	**(1,091)**	219	**(1,091)**	0
Adjustments for prior periods	**(1,596)**	0	**(1,477)**	0
(Increase)/decrease in deferred tax asset	**(2,245)**	653	**(2,180)**	534
Increase/(decrease) in deferred tax liability	**17,258**	(16,310)	**17,197**	(15,654)
Movement posted direct to equity	**(363)**	(1,349)	**(387)**	(1,349)
	11,963	(16,787)	**12,062**	(16,469)
Reconciliation of income tax to income statement disclosures	**(2,784)**	(2,603)	**(3,015)**	(2,470)
	(9,179)	19,389	**(9,047)**	18,939
	(11,963)	16,786	**(12,062)**	16,469
b) Reconciliation between tax expense and pre-tax net profit				
Profit/(loss) before tax	**44,249**	(55,242)	**44,184**	(54,335)
Income tax expense/(income) using the domestic corporation tax rate of 30% (2008:30%)	**13,275**	(16,573)	**13,255**	(16,301)
Expenditure not allowable for income tax purposes	**(65)**	152	**(65)**	198
Add prior year over provision	**(1,596)**	(366)	**(1,477)**	(366)
Add non-temporary movement in superannuation investments	**349**	-	**349**	-
Income tax expense/(income) on pre tax net profit	**11,963**	(16,787)	**12,062**	(16,469)
c) Current and deferred tax balances				
Assets				
Non current	**39,715**	35,893	**37,988**	34,203
Liabilities				
Non current	**145,841**	129,757	**145,381**	129,358

14 Taxation (cont.)

d) Reconciliation of deferred tax balances

Consolidated – 2009

	Opening Balance $'000	Under/ Over $'000	Charged to income statement $'000	Charged to equity $'000	Closing Balance $'000
Deferred tax assets					
Employee benefits	32,032	-	2,811	-	34,843
Revenue received in advance	3,005	(31)	(991)	24	2,007
Other investments	-	109	(8)	-	101
Other provisions	-	240	93	-	333
Superannuation investment	(1,071)	1,045	316	-	290
Revenue losses	856	194	1,091	-	2,141
Total	34,822	1,557	3,312	24	39,715
Deferred tax liabilities					
Biological assets	(98,152)	91	(16,716)	-	(114,777)
Inventories	(2,682)	-	(100)	-	(2,782)
Property, plant and equipment	(27,836)	14	(28)	(387)	(28,237)
Superannuation investments	-	-	-	-	-
Other	(17)	-	(28)	-	(45)
Total	(128,687)	105	(16,872)	(387)	(145,841)
Net tax assets/(liabilities)	(93,865)	1,662	(13,560)	(363)	(106,126)

Consolidated – 2008

	Opening Balance $'000	Under/ Over $'000	Charged to income statement $'000	Charged to equity $'000	Closing Balance $'000
Deferred tax assets					
Employee benefits	32,612	-	(580)	-	32,032
Revenue received in advance	3,289	(180)	(104)	-	3,005
Deferred expenditure	-	-	-	-	-
Revenue losses	645	308	(97)	-	856
Total	36,546	128	(781)	-	35,893
Deferred tax liabilities					
Biological assets	(115,988)	-	17,837	-	(98,151)
Inventories	(2,395)	-	(287)	-	(2,682)
Property, plant and equipment	(27,253)	308	(507)	(384)	(27,836)
Superannuation investments	(393)	-	288	(965)	(1,070)
Other	(37)	3	16	-	(18)
Total	(146,066)	311	17,347	(1,349)	(129,757)
Net tax assets/(liabilities)	(109,520)	439	16,566	(1,349)	(93,864)

14 Taxation (cont.)

d) Reconciliation of deferred tax balances

Parent Entity – 2009

	Opening Balance $'000	Under/ Over $'000	Charged to income statement $'000	Charged to equity $'000	Closing Balance $'000
Deferred tax assets					
Employee benefits	32,032	-	2,812	-	34,844
Revenue received in advance	1,316	(31)	(901)	-	384
Other investments		109	(8)		101
Other provisions		239	(12)		227
Superannuation investment	(1,071)	1,045	316		290
Revenue losses	856	195	1,091	-	2,142
Total	33,133	1,557	3,298	-	37,988
Deferred tax liabilities					
Biological assets	(98,151)	90	(16,716)	-	(114,777)
Inventories	(2,682)	-	(100)	-	(2,782)
Property, plant and equipment	(27,015)	14	(211)	(387)	(27,599)
Superannuation investments	-	-	-	-	-
Investments in wholly owned subsidiaries	(423)	26	219	-	(178)
Other	(17)	-	(28)	-	(45)
Total	(128,288)	130	(16,836)	(387)	(145,381)
Net tax assets/(liabilities)	(95,155)	1,687	(13,538)	(387)	(107,393)

Parent Entity – 2008

	Opening Balance $'000	Under/ Over $'000	Charged to income statement $'000	Charged to equity $'000	Closing Balance $'000
Deferred tax assets					
Employee benefits	32,611	-	(580)	-	32,031
Revenue received in advance	1,485	(180)	10	-	1,315
Deferred expenditure	-	-	-	-	-
Revenue losses	640	309	(92)	-	857
Total	34,737	129	(662)	-	34,204
Deferred tax liabilities					
Biological assets	(115,988)	-	17,837	-	(98,151)
Inventories	(2,395)	-	(287)	-	(2,682)
Property, plant and equipment	(26,199)	308	(740)	(384)	(27,015)
Superannuation investments	(393)	-	287	(965)	(1,071)
Other	-	-	(422)	-	(422)
Total	(37)	3	16	(1,349)	(129,341)
Net tax assets/(liabilities)	34,700	132	(646)	(1,349)	(95,137)

15 Dividends

Forestry Tasmania does not propose a dividend for the 2008/09 financial year. This proposal is subject to approval by the Treasurer and the Minister under Section 83(1) of the *Government Business Enterprises Act 1995*. As in prior years, the proposed dividend amount has been calculated based on a formula agreed to by Forestry Tasmania, the Treasurer and the Minister.

No dividend was paid during the 2008/09 financial year in relation to 2007/08 results.

16 Cash and cash equivalents

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
a) Reconciliation of cash				
For the purposes of the cash flow statements, cash and cash equivalents comprise the following as at 30 June:				
Cash	**34,991**	18,616	**34,803**	18,501
Share of joint venture cash	**1,963**	2,259	**1,963**	2,259
Floats and advances	**89**	44	**89**	44
	37,043	20,919	**36,855**	20,803
b) Reconciliation of net profit after tax to net cash flows from operations				
Net profit/(loss) after tax	**32,286**	(38,456)	**32,122**	(37,866)
Add/(less) items classified as investing/financing activities:				
(Profit)/loss on disposal of non current assets	**(195)**	-	**(195)**	
Interest on superannuation investment	**-**	(216)	**-**	(216)
Add/(less) non-cash items:				
Movements from reserves	**(361)**	1,535	**(385)**	1,538
Gain on acquisition of subsidiary	**-**	-	**729**	(1,409)
Share joint ventures (profit)/loss	**(950)**	(214)	**(950)**	(214)
Share of joint venture entities net (profit)/loss	**15**	247	**15**	247
Unrealised net forest (increment)/decrement	**(55,543)**	59,456	**(55,543)**	59,456
Depreciation, amortisation and impairment	**15,052**	12,978	**13,955**	11,886
Interest on finance lease	**1,019**	1,031	**-**	-
Doubtful debts expense	**(9)**	(25)	**(9)**	25
Changes in assets and liabilities:				
Increase/(decrease) in deferred tax liabilities	**16,084**	(16,309)	**16,023**	(15,654)
(Increase)/decrease in deferred tax assets	**(3,822)**	653	**(3,785)**	534
(Increase)/decrease in current receivables	**(4,984)**	(6,523)	**(5,174)**	(6,658)
(Increase)/decrease in non current receivables	**38**	-	**-**	-
(Increase)/decrease in inventories	**(466)**	(415)	**(464)**	(417)
(Increase)/decrease in other current assets	**113**	(120)	**113**	(120)
(Increase)/decrease in other non current assets	**15**	(231)	**15**	(231)
Increase/(decrease) in current liabilities	**(1,215)**	(5,559)	**(879)**	(4,935)
Increase/(decrease) in non current liabilities	**(3,008)**	(909)	**(2,634)**	(144)
Increase/(decrease) in current provisions	**(10,657)**	1,476	**(10,657)**	1,476
Increase/(decrease) in non current provisions	**19,903**	(3,704)	**19,903**	(3,704)
Net cash provided by operating activities	**3,315**	4,695	**2,199**	3,594

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
17 Trade and other receivables				
Current				
Trade debtors	**27,274**	21,706	**29,307**	23,287
Less provision for impairment	**(9)**	-	**(9)**	-
Share of GMO JV receivables	**2,912**	1,401	**2,912**	1,401
Accrued revenue	**404**	656	**404**	656
Pre-payments	**682**	795	**682**	795
GST refund	**298**	298	**312**	331
Total current receivables	**31,561**	24,856	**33,608**	26,471
Non current				
Other	**12**	50	**1,562**	1,550
Total non current receivables	**12**	50	**1,562**	1,550
18 Inventories				
Gravel stocks at cost	**3,288**	3,665	**3,288**	3,665
Seed and seedlings at cost	**5,546**	4,705	**5,546**	4,706
Timber at cost	**1,101**	993	**1,101**	993
Share of GMO JV timber at cost	**177**	161	**177**	161
Stores general at cost	**713**	819	**713**	821
	10,825	10,343	**10,825**	10,345
19 Biological assets				
Current				
Standing timber at valuation	**23,864**	14,620	**23,864**	14,620
Non current				
Standing timber at valuation – native forest	**152,755**	113,970	**152,755**	113,970
Standing timber at valuation – plantations	**97,755**	95,859	**97,755**	95,859
GMO joint venture timber resource at valuation	**91,300**	86,850	**91,300**	86,850
Other joint venture plantation assets at valuation	**19,623**	18,456	**19,623**	18,456
	361,433	315,135	**361,433**	315,135

19 Biological assets (cont.)

Reconciliation of biological assets

	Consolidated			Parent Entity		
	Native Forest $'000	Plantations $'000	Total $'000	Native Forest $'000	Plantations $'000	Total $'000
Carrying amount at 1 July 2008	129,690	200,065	329,755	129,690	200,065	329,755
Additions	-	12,094	12,094	-	12,094	12,094
Reallocation	-	(12,094)	(12,094)	-	(12,094)	(12,094)
Work in progress	-	550	550	-	550	550
Revaluation/(devaluation):	-	-	-			-
Movement in discount rate	7,193	-	7,193	7,193	-	7,193
Increase/(decrease) in average stumpage	45,561	716	46,277	45,561	716	46,277
Increase/(decrease) in yields	(15,789)	14,695	(1,094)	(15,789)	14,695	(1,094)
Increase/(decrease) other *	9,965	(7,349)	2,616	9,965	(7,349)	2,616
Carrying amount at 30 June 2009	**176,620**	**208,677**	**385,297**	**176,620**	**208,677**	**385,297**
Carrying amount at 1 July 2007	173,868	214,801	388,669	173,868	214,801	388,669
Additions	-	14,415	14,415	-	14,415	14,415
Reallocation	(384)	(14,039)	(14,423)	(384)	(14,039)	(14,423)
Work in progress	-	550	550		550	550
Revaluation/(devaluation):	-	-	-	-	-	-
Movement in discount rate	(2,514)	-	(2,514)	(2,514)	-	(2,514)
Increase/(decrease) in average stumpage	(16,000)	4,500	(11,500)	(16,000)	4,500	(11,500)
Increase/(decrease) in yields	(13,000)	(18,050)	(31,050)	(13,000)	(18,050)	(31,050)
Increase/(decrease) other *	(12,280)	(2,112)	(14,392)	(12,280)	(2,112)	(14,392)
Carrying amount at 30 June 2008	**129,690**	**200,065**	**329,755**	**129,690**	**200,065**	**329,755**

* The value of the "other" movements relates to changes in forest management and overhead costs, changes in the timing of timber harvesting and the impact of production forest taken to formal and informal conservation reserves as it is no longer available as production forest.

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
20 Forest estate assets				
Land at cost	**277,127**	277,131	**277,127**	277,131
Roads and road structures at cost	**250,245**	238,043	**250,245**	238,043
Less provision for depreciation of roads	**(134,950)**	(127,019)	**(134,950)**	(127,019)
	392,422	388,155	**392,422**	388,155

20 Forest estate assets (cont.)

Reconciliation of forest estate assets

	Consolidated			Parent Entity		
	Forest Land $'000	Roads and Structures $'000	Total $'000	Forest Land $'000	Roads and Structures $'000	Total $'000
Carrying amount at beginning of year 1 July 2008	277,130	111,025	388,155	277,130	111,025	388,155
Additions	-	12,302	12,302	-	12,302	12,302
Disposal/reallocation	(3)	-	(3)	(3)	-	(3)
Net movement in work in progress	-	(101)	(101)	-	(101)	(101)
Revaluation/(devaluation)	-	-	-	-	-	-
Depreciation	-	(7,931)	(7,931)		(7,931)	(7,931)
Carrying amount at 30 June 2009	**277,127**	**115,295**	**392,422**	**277,127**	**115,295**	**392,422**
Carrying amount at beginning of year 1 July 2007	276,717	105,585	382,302	276,717	105,585	382,302
Additions	97	13,699	13,796	97	13,699	13,796
Disposal/reallocation	(9)	(385)	(394)	(9)	(385)	(394)
Net movement in work in progress	-	181	181		181	181
Revaluation/(devaluation)	325	-	325	325		325
Depreciation	-	(8,055)	(8,055)		(8,055)	(8,055)
Carrying amount at 30 June 2008	**277,130**	**111,025**	**388,155**	**277,130**	**111,025**	**388,155**

21 Property, plant and equipment

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Land under buildings at valuation	**1,495**	1,571	**1,155**	1,231
Buildings at valuation	**19,608**	22,240	**19,608**	22,240
Transmission line asset at fair value	**14,811**	14,811	**-**	-
Plant and equipment at cost	**22,462**	22,210	**22,462**	22,210
Site infrastructure at cost	**6,886**	6,868	**-**	-
Pre-development works at cost	**3,405**	3,405	**-**	-
Capital work in progress	**3,062**	1,520	**3,062**	1,520
Less provision for depreciation	**(13,254)**	(12,399)	**(10,802)**	(11,045)
Total property, plant and equipment	**58,475**	60,226	**35,485**	36,156

Valuation of land and buildings

Freehold land and buildings are measured on a fair value basis, being the amount for which the assets could be exchanged between knowledgeable and willing parties in an arm's-length transaction, having regard to the highest and best use of the asset for which other parties would be willing to pay. The valuation as at 1 July 2006 was determined by an independent valuer, the Valuer General, on the basis of open market values for existing use of specific assets. Assets not valued by the independent valuer were applied with the Capital Value Adjustment Factors obtained from the office of the Valuer General.

In previous reporting periods the Leasehold Improvements asset class was reported separately. Due to the immateriality of the asset value, from 1 July 2007 this class has been incorporated into Plant & Equipment.

21 Property, plant and equipment (cont.)

Reconciliation of property, plant and equipment assets

	Consolidated							
	Land $'000	Buildings $'000	Transmission line $'000	Plant and equipment $'000	Site infrastructure works $'000	Pre-development costs $'000	Capital work in progress $'000	Total $'000
Carrying amount at 1 July 2008	1,571	22,157	14,219	11,248	6,538	2,974	1,520	60,227
Additions	-	-	-	-	18	-	5,792	5,810
Disposals	-	(876)	-	(995)	-	-	(3)	(1,874)
Reallocation	-	-	-	-	-	-	-	-
Revaluation	(76)	1,363	-	-	-	-	(244)	1,043
Impairment	-	(750)	-	(23)	-	-	-	(773)
Movement in work in progress	-	389	-	3,614	-	-	(4,003)	-
Depreciation	-	(2,754)	(643)	(2,108)	(533)	76	-	(5,962)
Carrying amount at 30 June 2009	**1,495**	**19,529**	**13,576**	**11,736**	**6,023**	**3,050**	**3,062**	**58,471**
Carrying amount at 1 July 2007	1,420	21,851	14,762	10,398	6,205	3,391	2,208	60,235
Additions	-	-	-	-	465	-	5,412	5,877
Disposals	(19)	(173)	-	(534)	-	-	(207)	(933)
Reallocation	-	-	-	-	-	-	(1,518)	(1,518)
Revaluation	170	948	-	(16)	-	-	-	1,102
Impairment	-	(508)	-	-	-	-	-	(508)
Movement in work in progress	-	997	-	3,378	-	-	(4,375)	-
Depreciation	-	(958)	(543)	(1,978)	(132)	(417)	-	(4,028)
Carrying amount at 30 June 2008	**1,571**	**22,157**	**14,219**	**11,248**	**6,538**	**2,974**	**1,520**	**60,226**
Original cost of assets 30 June 2009	**1,571**	**24,965**	**14,811**	**16,694**	**6,868**	**3,405**		**58,041**

21 Property, plant and equipment (cont.)

Reconciliation of property, plant and equipment assets

	Parent Entity							
	Land $'000	Buildings $'000	Transmission line $'000	Plant and equipment $'000	Site infrastructure works $'000	Pre-development costs $'000	Capital work in progress $'000	Total $'000
Carrying amount at 1 July 2008	1,231	22,157	-	11,248	-	-	1,520	36,156
Additions	-	-	-	-	-	-	5,792	5,792
Disposals	-	(876)	-	(995)	-	-	(3)	(1,874)
Reallocation	-	-	-	-	-	-	-	-
Revaluation	(76)	1,363	-	-	-	-	(244)	1,043
Impairment	-	(750)	-	(23)	-	-	-	(773)
Movement in work in progress	-	389	-	3,614	-	-	(4,003)	-
Depreciation	-	(2,754)	-	(2,108)	-	-	-	(4,862)
Carrying amount at 30 June 2009	**1,155**	**19,529**	**-**	**11,736**	**-**	**-**	**3,062**	**35,482**
Carrying amount at 1 July 2007	1,080	21,851	-	10,398	-	-	1,679	35,008
Additions	-	-	-	-	-	-	5,414	5,414
Disposals	(19)	(173)	-	(534)	-	-	(207)	(933)
Reallocation	-	-	-	-	-	-	(991)	(991)
Revaluation	170	948	-	(16)	-	-	-	1,102
Impairment	-	(508)	-	-	-	-	-	(508)
Movement in work in progress	-	997	-	3,378	-	-	(4,375)	-
Depreciation	-	(958)	-	(1,978)	-	-	-	(2,936)
Carrying amount at 30 June 2008	**1,231**	**22,157**	**-**	**11,248**	**-**	**-**	**1,520**	**36,156**
Original cost of assets 30 June 2009	**480**	**24,965**	**-**	**21,388**	**-**	**-**		**46,833**

Impairment of assets

Forestry Tasmania has completed impairment testing of its property, plant and equipment assets and in calculating the recoverable amount of the Tarkine Forest Adventures tourism site it was determined that the carrying amount was higher than the recoverable amount and an impairment loss of $0.773 million (2008:$0.508 million) has been recognised in the income statement. The impairment loss is attributed to reduced visitor numbers to the north west region of the State, which has caused a reduction in the operating cash flows of the business.

The value in use was determined by discounting the future cash flows generated from the asset and was based on the following key assumptions:

a) Cash flows were based on 2009/10 budget forecasts and projected over a 10-year period

b) Revenues were projected on visitor numbers increasing by 0.00% per annum (2008:1.5%) with operating costs increasing at 0.89% per annum (2008:0.8%)

c) The discount rates used was 9.69% (2008:9.69%)

22 Intangible assets

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Forestry Tasmania's intangible assets relate to the development costs of internally produced software.				
Software development	**3,034**	2,942	**3,034**	2,942
Capital work in progress	**27**	88	**27**	88
Less provision for amortisation	**(2,501)**	(2,094)	**(2,501)**	(2,094)
	560	936	**560**	936

	Consolidated			Parent Entity		
	Software $'000	Work in Progress $'000	Total $'000	Software $'000	Work in Progress $'000	Total $'000
Carrying amount at 1 July 2008	848	87	935	848	87	935
Additions	-	86	86		86	86
Disposal/reallocation	-	(55)	(55)		(55)	(55)
Net movement in work in progress	92	(92)	-	92	(92)	-
Amortisation	(406)	-	(406)	(406)		(406)
Carrying amount at 30 June 2009	**534**	**26**	**560**	**534**	**26**	**560**
Carrying amount at 1 July 2007	1,093	49	1,142	1,093	49	1,142
Additions – internally developed	-	170	170		170	170
Disposal/reallocation	-	17	17		17	17
Net movement in work in progress	142	(147)	(5)	142	(147)	(5)
Amortisation	(387)	-	(387)	(387)		(387)
Carrying amount at 30 June 2008	**848**	**88**	**936**	**848**	**87**	**935**

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
23 Investments accounted for using the equity method				
Joint venture entities (see note 36)	**216**	231	**216**	231
24 Other investments				
Investment in Ta Ann Tasmania	**400**	800	**400**	800
Investment in infrastructure assets	**570**	570	**570**	570
Investment in subsidiary companies	**-**	-	**731**	1,409
Superannuation investment account	**12,280**	14,381	**12,280**	14,381
	13,250	15,751	**13,981**	17,160
Reconciliation of superannuation investment account				
Opening balance 1 July 2008	**14,381**	22,633	**14,381**	22,633
Payment of benefits	**-**	(5,568)	**-**	(5,568)
Earnings on cash investments	**116**	200	**116**	200
Movement in fair value	**(2,217)**	(2,884)	**(2,217)**	(2,884)
Closing balance 30 June 2009	**12,280**	**14,381**	**12,280**	**14,381**

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
25 Trade and other payables				
Current				
Trade creditors	**10,891**	11,715	**10,948**	11,561
Share of GMO JV payables	**1,393**	1,111	**1,393**	1,111
Accrued expenses	**5,165**	5,885	**5,249**	5,793
Total current payables	**17,449**	18,711	**17,590**	18,465
Non current				
Trade creditors	**10**	10	**-**	-
	10	10	**-**	-
26 Revenue received in advance				
Current (note below)	**47,101**	18,798	**46,900**	18,649
Non current	**8,845**	11,853	**973**	3,607
	55,946	30,651	**47,873**	22,256

(1) The current revenue received in advance principally relates to the Tasmanian Community Forest Agreement ($44.36 million not yet earnt). See policy note 2(e)

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
27 Interest bearing liabilities				
Current				
Borrowings	**19,800**	19,800	**19,800**	19,800
Finance lease	**164**	151	**-**	-
	19,964	19,951	**19,800**	19,800
Non current				
Borrowings	**21,000**	21,000	**21,000**	21,000
Finance lease	**11,885**	12,049	**-**	-
Total	**32,885**	33,049	**21,000**	21,000
Financing arrangements				
Forestry Tasmania has access to the following lines of credit:				
Total facilities available:				
Credit cards	**800**	800	**800**	800
Foreign currency dealing limit	**-**	520	**-**	520
Loan facility – secured	**45,000**	45,000	**45,000**	45,000
	45,800	46,320	**45,800**	46,320
Facilities used at balance date:				
Credit cards	**99**	91	**99**	91
Foreign currency dealing limit	**-**	76	**-**	76
Loan facility – secured	**40,800**	40,800	**40,800**	40,800
	40,899	40,967	**40,899**	40,967
Facilities not utilised at balance date:				
Credit cards	**701**	709	**701**	709
Foreign currency dealing limit	**-**	444	**-**	444
Loan facility – secured	**4,200**	4,200	**4,200**	4,200
	4,901	5,353	**4,901**	5,353

27 Interest bearing liabilities (cont.)

Credit cards

The full amount payable on credit cards is included in current liabilities as this is payable within 14 days before interest is charged. After this date the payable bears interest at 16.27% (2008:18.72%), payable monthly.

Foreign currency dealing limit

Forestry Tasmania has no foreign currency facilities covering foreign currency dealings.(2008: $520,000).

Loan facility – secured

Forestry Tasmania has long-term fixed borrowings of $40.8 million (2008: $40.8 million). The fixed component bears interest on a fixed rate with the interest charged on a six-monthly basis. Borrowings at call are charged at the applicable daily rate. The loans are secured by a floating charge over Forestry Tasmania's debtors.

Forestry Tasmania's interest bearing liabilities are a combination of fixed and at-call loans held with Tascorp. Loans that are due to be repaid or renegotiated in the ensuing 12-month period are classified as current.

Finance lease

The finance lease between Newood Holdings Pty Ltd and Transend Networks Pty Ltd is related to the construction of the power transmission line onto the Huon wood centre site. The construction of the line has been funded through a finance lease agreement with Transend. The agreement covers the annual payment of operating, maintenance and a capital component for the term of the agreement. The interest rate is fixed at 8.4%.

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
28 Employee benefits				
Current				
Annual leave	**1,546**	1,598	**1,546**	1,598
Long service leave	**3,386**	3,691	**3,386**	3,691
Superannuation (see note below)	**4,685**	14,849	**4,685**	14,849
Workers compensation	**834**	970	**834**	970
	10,451	21,108	**10,451**	21,108
Non current				
Long service leave	**914**	761	**914**	761
Superannuation (see note below)	**104,390**	84,640	**104,390**	84,640
Workers compensation	**-**	-	**-**	-
	105,304	85,401	**105,304**	85,401
Information in this note applies equally to the consolidated and parent entity.				
Assumed rate of increase in wages and salaries rates			**1.0%**	3.5%
Discount rate used in the calculation of the long service leave provision			**5.65%**	6.50%
Settlement terms (years) – long service leave			**10-15 years**	10-15years

a) Superannuation liability

The Retirements Benefit Fund (RBF) is a defined benefit fund which pays lump sum and pension benefits to members upon retirement (most of which are calculated as a multiple of the member's final average salary). The RBF has contributory members, compulsory preserved members and pensioners. The value of the superannuation liability is calculated based on the assumptions of the State Actuary.

28 Employee benefits (cont.)

	2009 $'000	2008 $'000
a) Superannuation liability		
Key assumptions		
Discount rate:		
Gross of tax	**5.80%**	6.60%
Net of tax	**5.70%**	6.50%
Salary rate	**4.50%**	4.50%
Expected return on plan assets (net of tax)	**7.00%**	7.00%
Inflation (pensions)	**2.50%**	2.50%
The expected return on plan assets (net of tax) has been based on the expected long-term returns for each of the major asset class in which the Plan invests.		
Plan assets – asset disclosure		
Australian equities	**20.00%**	25.00%
Overseas equities	**13.00%**	20.00%
Fixed interest securities	**11.00%**	12.00%
Property and infrastructure	**31.00%**	37.00%
Alternatives	**19.00%**	
Other	**6.00%**	6.00%
Balance sheet results – net liability		
Defined benefit obligation	**141,647**	119,810
Contributions tax liability	**-**	14,282
Total defined benefit obligations	**141,647**	134,092
RBF contributory scheme assets	**(32,572)**	(34,603)
Total net liability	**109,075**	99,489
Current net liability	**4,685**	14,849
Non current net liability	**104,390**	84,640
Total net liability	**109,075**	99,489
Movement in net liability		
Net liability/(asset) in balance sheet at end of prior year	**99,489**	101,192
Expense recognised in income statement	**14,950**	2,197
Actual employer contributions	**(5,365)**	(3,900)
Net liability/(asset) in balance sheet at end of year	**109,074**	99,489
Profit and loss results		
Employer service cost	**2,683**	2,739
Contribution tax expense	**418**	568
Total employer service cost	**3,101**	3,307
Interest cost	**7,573**	7,219
Expected return on plan assets	**(2,400)**	(2,651)
Recognised actuarial (gains)/losses	**6,675**	(5,677)
Expense recognised in income statement Refer note 11	**14,949**	2,198

Forestry Tasmania

	2009 $'000	2008 $'000
28 Employee benefits (cont.)		
a) Superannuation liability		
Reconciliations		
Changes in the fair value of plan assets		
Fair value of plan assets at end of prior year	**34,603**	38,470
Estimated employer contributions	**5,365**	3,900
Estimated participant contributions	**931**	1,011
Estimated operating costs	**(343)**	(387)
Estimated benefit payments	**(6,596)**	(5,709)
Expected return on assets	**2,400**	2,651
Actuarial (gain)/losses	**(3,787)**	(5,333)
Fair value plan assets at year end	**32,573**	34,603
Changes in the defined benefit obligation (inclusive of contributions tax for disclosure purposes)		
Defined benefit obligations at end of prior year	**134,092**	139,662
Employer service cost	**3,101**	3,307
Interest cost	**7,573**	7,219
Actual participant contributions	**931**	1,011
Actual operating costs	**(343)**	(387)
Actual benefit payments contributions tax	**(6,596)**	(5,709)
Expected defined benefit obligations at year end	**138,758**	145,103
Actuarial (gain)/losses	**2,888**	(11,010)
Actual total defined benefit obligations at year end	**141,646**	134,093
Changes in the defined benefit obligation (exclusive of contributions tax for disclosure purposes)		
Defined benefit obligations at end of prior year	**119,810**	125,206
Employer service cost	**2,683**	2,739
Interest cost	**7,573**	7,219
Actual participant contributions	**931**	1,011
Actual operating costs	**(343)**	(387)
Actual benefit payments contributions tax	**(6,596)**	(5,709)
Expected defined benefit obligations at year end	**124,058**	130,079
Actuarial (gain)/losses	**17,588**	(10,269)
Actual defined benefit obligations at year end	**141,646**	119,810
Contributions tax		
Defined benefit obligations at end of prior year	**119,810**	125,206
Fair value plan assets at end of prior year	**(34,603)**	(38,471)
Net obligation	**85,207**	86,735
Contributions tax at end of prior year	**14,283**	14,455
Contributions tax expense	**418**	568
Expected contributions tax at year end	**14,701**	15,023
Actuarial (gain)/loss on contributions tax	**(14,700)**	(740)
Actual contributions tax at year end	**1**	14,283

28 Employee benefits (cont.)

a) Superannuation liability

	2009 $'000	2008 $'000
Reconciliation of actuarial (gain)/loss		
Unrecognised unactuarial (gain)/loss at end of prior year	-	-
Actuarial (gain)/loss on assets	3,787	5,333
Actuarial (gain)/loss on liabilities	17,588	(10,269)
Actuarial (gain)/loss on contributions tax	(14,700)	(740)
Amount recognised during year in income statement	(6,674)	5,678
Unrecognised actuarial (gain)/loss at end of year	-	-
Interest cost		
Defined benefit obligations at end of prior year	119,810	125,206
Actual benefit payments	6,596	5,709
Weighted for timing	(3,298)	(2,855)
Average benefit obligations	116,512	122,351
Discount rate	6.5%	5.9%
Calculated interest cost	7,573	7,219
Interest cost used in calculation	7,573	7,219
Expected return on assets		
Fair value of plan assets at end of prior year	34,603	38,470
Actual employer contributions	5,365	3,900
Weighted for timing	2,683	1,950
Actual participant contributions	931	1,011
Weighted for timing	466	506
Actual operating costs	(343)	(387)
Weighted for timing	(172)	(194)
Actual benefit payments	(6,596)	(5,709)
Weighted for timing	(3,298)	(2,855)
Average expected assets	34,282	37,878
Assumed rate of return	7.0%	7.0%
Calculated expected return on assets	2,400	2,651
Expected return on assets used in calculation	2,400	2,651
Net liability/(asset) at year end		
Actual defined benefit obligations at year end	141,646	119,810
Actual contributions tax at year end	1	14,283
Total defined benefit obligation at year end	141,647	134,093
Actual assets at year end	(32,572)	(34,603)
Deficit/(surplus)	109,075	99,490
Unrecognised past service cost	-	-
Unrecognised net (gain)/loss	-	-
Net liability/(asset)	109,075	99,490

28 Employee benefits (cont.)

a) Superannuation liability

History

The amounts for the current annual reporting period and the previous four reporting periods are shown below.

Reconciliation of reserves and retained earnings

	30 June 2009 $'000	30 June 2008 $'000	30 June 2007 $'000	30 June 2006 $'000	30 June 2005 $'000
Total defined benefit obligation at year end	**141,647**	134,093	139,662	121,974	124,734
Actual assets at year end	**(32,572)**	(34,603)	(38,470)	(33,866)	(30,872)
Deficit/(Surplus)	**109,075**	99,490	101,192	88,108	93,862
Experience adjustment on liabilities	**3,938**	(516)	(356)	1,221	(623)
Experience adjustment on assets	**3,787**	(5,333)	(3,144)	(1,628)	(1,996)

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
29 Contributed equity				
Value of State Loans to the former Forestry Commission taken over by the Government in 1990	**232,057**	232,057	**232,057**	232,057
Funds provided for construction and development of income generating assets	**3,400**	3,400	**3,400**	3,400
	235,457	235,457	**235,457**	235,457
30 Reserves and retained earnings				
Forest estate revaluation reserve	**204,321**	204,321	**204,321**	204,321
Joint venture forest estate revaluation reserve	**21,572**	21,572	**21,572**	21,572
Property revaluation reserves	**6,896**	5,764	**6,741**	5,609
General reserve	**43,045**	43,045	**43,045**	43,045
Superannuation reserve	**11,981**	11,981	**11,981**	11,981
Total reserves	**287,815**	286,683	**287,660**	286,527
Retained earnings	**58,254**	26,337	**58,283**	26,393
Total	**346,069**	313,020	**345,943**	312,921

30 Reserves and retained earnings (cont.)

Reconciliation of reserves and retained earnings

	Consolidated					
	Forest revaluation reserve $'000	Joint venture forest revaluation reserve $'000	Property and general revaluation reserve $'000	Super-annuation reserve $'000	Retained earnings $'000	Total $'000
Balance as at 1 July 2008	204,321	21,572	48,809	11,981	26,336	313,019
Total recognised income and expense	-	-	1,291	-	31,759	33,050
Adjustment to prior year						0
Transfer from reserve to equity			(159)		159	0
Dividends paid	-	-	-	-	0	0
Balance as at 30 June 2009	**204,321**	**21,572**	**49,941**	**11,981**	**58,254**	**346,069**
Balance as at 1 July 2007	203,996	21,572	47,856	11,981	65,993	351,398
Total recognised income and expense	325	-	953	-	(39,657)	(38,379)
Dividends paid	-	-	-	-	0	0
Balance as at 30 June 2008	**204,321**	**21,572**	**48,809**	**11,981**	**26,336**	**313,019**

	Parent Entity					
	Forest revaluation reserve $'000	Joint venture forest revaluation reserve $'000	Property and general revaluation reserve $'000	Super-annuation reserve $'000	Retained earnings $'000	Total $'000
Balance as at 1 July 2008	204,321	21,572	48,654	11,981	26,393	312,921
Total recognised income and expense	-	-	1,291	-	31,731	33,022
Adjustment to prior year	-	-	-	-	-	0
Transfer from reserve to equity	-	-	(159)	-	159	0
Dividends paid	-	-	-	-	0	0
Balance as at 30 June 2009	**204,321**	**21,572**	**49,786**	**11,981**	**58,283**	**345,943**
Balance as at 1 July 2007	203,996	21,572	47,701	11,981	65,460	350,710
Total recognised income and expense	325	-	953	-	(39,067)	(37,789)
Dividends paid	-	-	-	-	-	0
Balance as at 30 June 2008	**204,321**	**21,572**	**48,654**	**11,981**	**26,393**	**312,921**

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
31 Expenditure commitments				
Operating expenditure commitments				
a) Operating leases				
Leases as lessee				
Non-cancellable operating lease rentals are payable as follows:				
Not longer than one year	**2,321**	2,239	**2,321**	2,239
Longer than one year but not longer than five years	**8,630**	8,728	**8,630**	8,728
Later than five years	**-**	2,834	**-**	2,834
	10,951	13,801	**10,951**	13,801

Forestry Tasmania leases property and equipment under non-cancellable operating leases expiring from one to 10 years. Leases generally provide Forestry Tasmania with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.

b) Finance lease

Finance lease liabilities of the Group are payable as follows:

	Consolidated ($'000)			Parent Entity ($'000)		
2008-09	Future minimum lease payments	Interest	Present value of minimum payments	Future minimum lease payments	Interest	Present value of minimum payments
Not longer than one year	1,170	1,005	164	-	-	-
Between one and five years	4,681	3,867	813	-	-	-
Later than five years	22,136	11,064	11,071	-	-	-
	27,987	**15,936**	**12,048**	**-**	**-**	**-**
2007-08						
Not longer than one year	1,170	1,019	151	-	-	-
Between one and five years	4,681	3,933	748	-	-	-
Later than five years	23,507	12,005	11,301	-	-	-
	29,358	**16,957**	**12,200**	**-**	**-**	**-**

The finance lease between Newood Holdings Pty Ltd and Transend Network Pty Ltd is related to the construction of the power transmission line onto the Huon Wood Centre site. The construction of the line has been funded through a finance lease agreement with Transend.

31 Expenditure commitments (cont.)

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
c) Capital expenditure commitments				
Plantation establishment				
Not longer than one year	**9,165**	3,647	**9,165**	3,647
Between one and five years	**28,000**	-	**28,000**	-
Later than five years	**3,943**	-	**3,943**	-
Road construction				
Not longer than one year	**746**	1,181	**746**	1,181
Construction contracts				
Not longer than one year	**130**	289	**130**	289

32 Contingent liabilities

Indemnities have been provided to directors and senior management of Forestry Tasmania in respect of liabilities to third parties arising from their positions, except where the liability arises out of conduct involving a lack of good faith. No monetary limit applies to these agreements and there are no known obligations outstanding at 30 June 2009.

33 Controlled entities

	Country of incorporation	Percentage of Shares 2009	Percentage of Shares 2008
Parent Entity – Forestry Tasmania			
Controlled Entities – Newood Holdings Pty Ltd, incorporated 19 December 2002	Australia	**100%**	100%
Controlled Entities – Newood Huon Pty Ltd, incorporated 19 December 2002	Australia	**100%**	100%
Controlled Entities – Newood Smithton Pty Ltd, incorporated 19 December 2002	Australia	**100%**	100%
Controlled Entities – Newood Energy Pty Ltd, incorporated 3 March 2008	Australia	**100%**	100%

34 Related party information

	Sales to Related parties 2009	Sales to Related parties 2008	Purchases from related parties 2009	Purchases from related parties 2008	Amounts owed by related parties 2009	Amounts owed by related parties 2008	Amounts owed to related parties 2009	Amounts owed to related parties 2008
Consolidated								
Softwood joint venture	**2,997**	3,162	**-**	-	**1387**	992	**-**	-
Hollybank Treetops Adventure Pty Ltd	**-**	-	**-**	-	**386**	370	**-**	-
Parent								
Softwood joint venture	**2,997**	3,162	**-**	-	**1,387**	992	**-**	-
Hollybank Treetops Adventure Pty Ltd	**-**	-	**-**	-	**386**	370	**-**	-
Newood Holdings Pty Ltd	**192**	109	**108**	105	**2,978**	3,228	**10**	10

Transactions with related parties are made at arm's length at normal market prices and on normal commercial terms. Outstanding balances at year end are unsecured and interest free. Settlement with related parties not wholly owned occurs in cash.

35 Interest in joint venture operations

Forestry Tasmania has joint venture plantation establishment operations with other organisations. Its share of the value of the biological asset is included in note 21.

Forestry Tasmania holds a 50% share in a softwood joint venture with GMO Renewable Resources. In addition to the biological asset, included in the assets and liabilities of the organisation are items which represent Forestry Tasmania's interest in the joint venture. Currently this is the only joint venture operation from which Forestry Tasmania receives revenue from outputs.

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current assets				
Cash	**1,963**	2,259	**1,963**	2,259
Receivables	**2,912**	1,401	**2,912**	1,401
Inventories	**177**	161	**177**	161
Total current assets	**5,052**	3,821	**5,052**	3,821
Non current assets				
Biological assets	**110,923**	105,306	**110,923**	105,306
Total non current assets	**110,923**	105,306	**110,923**	105,306
Total assets	**115,975**	109,127	**115,975**	109,127
Current liabilities				
Payables	**1,393**	1,111	**1,393**	1,111
Total current liabilities	**1,393**	1,111	**1,393**	1,111
Total liabilities	**1,393**	1,111	**1,393**	1,111

36 Investments accounted for using the equity method

Forestry Tasmania own a 50% share in Hollybank Treetops Adventure Pty Ltd which is an incorporated joint venture with Australian Treetops Canopy Tours Pty Ltd. The principal activity of the joint venture is a tourism adventure activity located in the Hollybank forest reserve.

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(a) Results of joint venture entities				
Revenues from ordinary activities	**414**	112	**414**	112
Expenses from ordinary activities	**(429)**	(359)	**(429)**	(359)
Profit/(loss) from ordinary activities	**(15)**	(247)	**(15)**	(247)
Income tax expense relating to ordinary activities	**-**	-	**-**	-
Net profit/(loss) – accounted for using the equity method	**(15)**	(247)	**(15)**	(247)

36 Investments accounted for using the equity method (cont.)

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
(b) Statement of financial position				
Current assets	**59**	83	**59**	83
Non current assets	**423**	452	**423**	452
Total assets	**482**	534	**482**	534
Current liabilities	**(25)**	(97)	**(25)**	(97)
Non current liabilities	**(241)**	(206)	**(241)**	(206)
Total liabilities	**(266)**	(303)	**(266)**	(303)
Net assets	**216**	231	**216**	231
(c) Reconciliations				
Share of post-acquisition retained profits attributable to joint venture entities				
Share of joint venture entities' retained losses at beginning of year	**(248)**	(50)	**(248)**	(50)
Share of joint venture entities' net profit/(losses)	**233**	(198)	**233**	(198)
Share of joint venture entities' retained profit/(losses) at end of year	**(15)**	(248)	**(15)**	(248)
Movement in carrying amount of joint ventures				
Carrying amount at beginning of year	**231**	-	**231**	-
Investment in joint ventures acquired during the year	**-**	479		479
Share of joint venture entities' net losses	**(15)**	(248)	**(15)**	(248)
Carrying amount at end of year	**216**	231	**216**	231

37 Key management personnel compensation and other disclosures

During the year, the Board of Directors of Forestry Tasmania comprised the following individuals: Messrs A. Kloeden, H.J. Elliott, M.Hampton, G.W.Coffey, R.L. Gordon and Ms D. Radford. Directors fees are paid in accordance with the levels agreed by the Department of Premier and Cabinet and approved by the Minister. An additional fee is paid to Directors who chair Board sub-committees.

Other key management personnel are determined to be the members of the General Management Group of Forestry Tasmania (8 members:2009) (7 members:2008). The Remuneration Committee of the Board is responsible for determining and reviewing compensation arrangements for members of the General Management Group.

Compensation for Directors and key management personnel of Forestry Tasmania amounted to the following:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Short-term employee benefits	**1,905**	2,122	**1,905**	2,122
Post-employment benefits	**183**	207	**183**	207
Other long-term employee benefits	**28**	34	**28**	34
Total	**2,116**	2,363	**2,116**	2,363

With the exception of the following, Forestry Tasmania has not made any loans to or entered into any other transactions with any member of the Board of Directors or their related parties:

Dr H.J. Elliott is an independent director of Forestry Tasmania. Dr H.J. Elliott was contracted during 2008/09 on normal terms and conditions as an independent consultant to complete specific tasks associated with forest research activities and his compensation has been included in the above figures. During 2008/09 Dr Elliott was paid $27,790 including GST (2008:$6,170).

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
38 Auditors' remuneration				
Amounts paid and payable to the Tasmanian Audit Office for auditing the financial statements of Forestry Tasmania	**133**	73	**122**	73
Amounts paid and payable to other service providers for internal and other regulatory audit services	**146**	160	**146**	139

39 Events subsequent to balance date

There are no reported events subsequent to balance date.

40 Financial instruments disclosure

(a) Capital risk management

Forestry Tasmania manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholder. The capital structure of Forestry Tasmania consists of debt, which includes borrowings disclosed in note 27, the unfunded superannuation liability disclosed in note 28, cash and cash equivalents and the superannuation investment disclosed in note 24.

In 2006-07 the Corporation undertook a capital structure review completed by an independent party. The Corporation's objective is to achieve a BBB credit rating as agreed with the shareholder. To achieve this rating the Corporation is working with the shareholder on options to reduce the unfunded superannuation liability.

		Consolidated		Parent Entity	
	Note	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(b) Categories of financial instruments					
Financial assets					
Fair value through profit or loss	24	**12,850**	14,951	**13,581**	16,361
Held to maturity investments		**-**	-	**-**	-
Loans and receivables	17	**31,573**	24,111	**35,170**	27,226
Available for sale financial assets	24	**400**	800	**400**	800
Cash and cash equivalents	16(a)	**37,043**	20,919	**36,855**	20,803
Financial liabilities					
Fair value through profit or loss		**-**	-	**-**	-
Financial liabilities measured at amortised cost		**(70,308)**	(71,721)	**(58,390)**	(59,265)

(c) Credit risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Note	2009 $'000	2008 $'000
Cash	17	**37,043**	20,919
Trade and other receivables	18	**31,573**	24,111
Other financial assets	26	**13,250**	15,181
Total financial assets		**81,866**	60,211

40 Financial instruments disclosure (cont.)

(c) Credit risk

Trade receivables

Forestry Tasmania's principal credit risk arises from non payment by debtors. Forestry Tasmania's credit policy expects that the each customer's payment will be made by the due date and any disputed transactions will be brought to Forestry Tasmania's attention as soon as possible and dealt with in a prompt and commercial manner. All customers' credit details are reviewed and a credit rating is determined for each customer. The rating determines the applicable terms of payment including the nature of the collateral necessary.

The majority of Forestry Tasmania's customers have been transacting with the Organisation for more than five years and losses have occurred infrequently. Customers that are regarded as high risk are monitored regularly and delivery of product withheld for periods of time if debts are not paid as agreed within the terms of the contractual arrangements or Forestry Tasmania's credit policy.

Export sales are also made to several customers in China and South Korea. Forestry Tasmania is not materially exposed to any individual overseas country or overseas customer. Credit risk is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Foreign exchange contracts are subject to credit risk in relation to relevant counterparties, which are principally large banks. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency Forestry Tasmania pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay Forestry Tasmania. Documentary Letters of Credit are initiated for all export sales contracts and are confirmed by Forestry Tasmania's bankers, which minimises the credit risk to the Organisation.

Forestry Tasmania's debtors ageing analysis at reporting date are:

	Consolidated							
				2009 $'000				2008 $'000
	Current	30 days	60 days	90 days plus	Current	30 days	60 days	90 days plus
Forest sales	11,294	6,141	2,664	2,332	12,705	2,287	135	548
General debtors	1,724	2,364	295	460	1,615	2,676	464	1,276
Total	13,018	8,505	2,959	2,792	14,320	4,963	599	1,824

Impairment losses

Forestry Tasmania has recognised impairment losses in the current financial year but believes that no impairment allowance is necessary in respect of trade receivables for past due balances. Forestry Tasmania's significant customers have a good credit history and no impairment allowance is required.

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Balance as at 1 July	-	(25)	-	(25)
Recovery of prior year impairments	-	20	-	20
Impairment loss recognised	**(9)**	5	**(9)**	5
Balance as at 30 June	**(9)**	-	**(9)**	-

40 Financial instruments disclosure (cont.)

Investments

(d) Liquidity risk

Forestry Tasmania manages liquidity risk by maintaining adequate reserves, banking facilities and continuously monitoring forecast and actual cash flows against the operational activities planned to be undertaken. The following details Forestry Tasmania's remaining contractual maturity for its non derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Organisation can be required to pay.

Consolidated

	Weighted average interest rate	Less than 1 month $'000	1-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
2009						
Trade and other payables	0.00%	17,449	-	-	-	10
Finance lease liability	8.40%	-	164	343	1,156	10,399
Interest bearing liabilities – variable	3.75%	19,964	-	-	-	-
Interest bearing liabilities – fixed	5.98%	-	-	10,000	-	11,000
2008						
Trade and other payables	0.00%	37,509	-	-	-	10
Finance lease liability	8.40%	-	151	343	1,156	10,550
Interest bearing liabilities – variable	7.60%	19,951	-	-	-	-
Interest bearing liabilities – fixed	5.98%	-	-	10,000	-	11,000

Parent Entity

	Weighted average interest rate	Less than 1 month $'000	1-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
2009						
Trade and other payables	0.00%	17,590	-	-	-	-
Interest bearing liabilities – variable	7.60%	19,800	-	-	-	-
Interest bearing liabilities – fixed	5.98%	-	-	10,000	-	11,000
2008						
Trade and other payables	0.00%	37,411	-	-	-	-
Interest bearing liabilities – variable	7.60%	19,800	-	-	-	-
Interest bearing liabilities – fixed	5.98%	-	-	10,000	-	11,000

40 Financial instruments disclosure (cont.)

Interest bearing liabilities

The borrowings portfolio is reviewed on a regular basis to ensure that current interest bearing liabilities are reviewed for the purposes of any potential change to a fixed interest liability and any fixed interest liabilities that need to renegotiated. Advice on future interest rate movements is independently sourced to assist the Board with its decisions in relating to interest bearing liabilities.

(e) Market risk

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are outlined below. Except as detailed in the table, the Directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised costs in the financial statements approximates their fair values.

	Consolidated $'000				Parent Entity $'000			
	2009		2008		2009		2008	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Available for sale financial assets	400	400	800	800	800	800	800	800
Held to maturity investments	-	-	-	-	-	-	-	-
Financial assets designated at fair value through profit or loss	13,250	13,250	15,751	15,751	13,981	13,981	17,161	17,161
Loans and receivables	31,573	31,573	24,906	24,906	35,170	35,170	28,021	28,021
Cash and cash equivalents	37,043	37,043	20,919	20,919	36,855	36,855	20,803	20,803
Trade and other payables	(17,459)	(17,459)	(18,721)	(18,721)	(17,590)	(17,590)	(18,465)	(18,465)
Finance lease liability	(11,885)	(11,885)	12,049	12,049	-	-	-	-
Interest bearing liabilities – variable	(19,964)	(19,964)	(19,951)	(19,951)	(19,800)	(19,800)	(19,800)	(19,800)
Interest bearing liabilities – fixed	(21,000)	(21,000)	(45,098)	(45,098)	(21,000)	(21,000)	(21,000)	(21,000)
Total	11,558	11,558	(10,145)	(10,145)	27,616	27,616	6,720	6,720

Exposure to currency risk

Forestry Tasmania's policy is to use a foreign currency risk management instrument in compliance with Forestry Tasmania's Foreign Exchange Policy. As at 30 June 2009, there were no forward exchange contracts in place (2008: AUD1,283,227).

Forestry Tasmania does not account for forward exchange contracts as financial assets or liabilities at fair value through the profit or loss.

The USD bank account is exposed to the movement in the exchange rate. The Organisation transfers funds to the Australian dollar account when available, but when appropriate retains a balance in the USD account to pay export expenses and funds to meet forward exchange contract commitments. The balance in the account as at 30 June 2009 was USD4,375 (2008: USD413,430) of which USD4,375 (2008: USD220,730) is impacted by a movement in exchange rates, as this value is not covered under a forward exchange contract. A change of 100 basic points at 30 June would have a gain or loss of AUD67 (2008: gain/loss of AUD2,415).

Investments

Forestry Tasmania has funds in an investment portfolio which comprises fixed interest, Australian equities, overseas equities and property. The funds are used to offset the unfunded superannuation liability and to reimburse the Organisation for payments made on an emerging basis in relation to superannuation entitlements to ex-employees transacted during the reporting period. The average earnings of the portfolio in 2008-09 were -15% (2008: -23%) due principally to a decrease in equities in 2008/09. If the average earnings of the portfolio had decreased by -17% (2008: -25%), the impact to the asset and profit and loss would have been an additional decrease in interest income of $0.287 million (2008:decrease in interest income of $0.373 million). Conversely, if the average earnings of the portfolio had decreased by -13% (2008: -21%), the impact income statement would have been an increase of $0.287 million (2008: increase of $0.373 million).

Interest bearing liabilities – variable

Borrowings undertaken by the Organisation are in a variable and fixed interest portfolio. The average variable interest rate was 3.75% (2008: 7.2%). If the annual average variable interest rate increased to 4.75% (2008: 8.2%), the impact to the profit and loss would have been an additional decrease in profit of $0.198 million (2008: decrease in profit of $0.210 million). Conversely, if the interest rate decreased to 2.75% (2008: 6.2%), the impact to the profit and loss would have been an additional increase in profit of $0.198 million (2008: increase in profit of $0.186 million).

certification OF FINANCIAL STATEMENTS

Certification of Financial Statements

It is the opinion of the directors of Forestry Tasmania:

a) the financial statements and notes of the corporation and of the consolidated entity are in accordance with the *Government Business Enterprises Act 1995*, including:

(i) giving a true and fair view of the results and cash flows for the 2008-09 financial year and the financial position as at 30 June 2009 of the corporation and its subsidiaries;

(ii) subject to the Treasurer's Instructions and complying with Australian Accounting Standards;

(iii) complying with Australian equivalents to International Financial Reporting Standards; and

b) there are reasonable grounds to believe that the corporation will be able to pay its debts as and when they fall due.

This declaration has been made after receiving the following declaration from the Managing Director and the Chief Financial and Commercial Officer of the corporation:

(i) the financial records of the corporation for the 2008-09 financial year have been properly maintained in accordance with Section 51 of the *Government Business Enterprises Act 1995*;

(ii) the financial statements and notes for the 2008-09 financial year have been prepared in accordance with Section 52 of the *Government Business Enterprises Act 1995*; and

(iii) the financial statements and notes for the 2008-09 financial year give a true and fair view.

Signed in accordance with a resolution of the directors.

Adrian Kloeden
Chairman
14 August 2009

Robert L Gordon
Managing Director
14 August 2009

Tasmanian Audit Office

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INDEPENDENT AUDIT REPORT

To Members of the Parliament of Tasmania

FORESTRY TASMANIA

Financial Report for the Year Ended 30 June 2009

Report on the Financial Report

I have audited the accompanying financial report of Forestry Tasmania (Forestry), which comprises the balance sheet as at 30 June 2009, the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the statement by the directors of the consolidated entity comprising Forestry and the entities it controlled at the year's end or from time to time during the financial year.

The Responsibility of the Directors for the Financial Report

The directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and Section 52 (1) of the *Government Business Enterprises Act 1995.* This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of 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 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 Forestry's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Forestry's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting this audit, I have complied with the independence requirements of Australian Auditing Standards and other relevant ethical requirements. The *Audit Act 2008* further promotes independence by:

- Providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- Mandating the Auditor-General as auditor of State Entities but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Tasmanian Audit Office are not compromised in their role by the possibility of losing clients or income.

My independence declaration provided to Forestry's directors dated 12 August 2009 and included in the Annual Report, would be unchanged if provided to the directors as at the date of this audit report.

Auditor's Opinion

In my opinion:

(a) the financial report of Forestry Tasmania:

(i) presents fairly, in all material respects, the financial position of Forestry Tasmania and the consolidated entity as at 30 June 2009, and of their financial performance, cash flows and changes in equity for the year then ended; and

(ii) is in accordance with the *Government Business Enterprises Act 1995* and Australian Accounting Standards (including Australian Accounting Interpretations);

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

TASMANIAN AUDIT OFFICE

H M Blake
AUDITOR-GENERAL
HOBART
17 August 2009

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auditor's INDEPENDENCE DECLARATION

Tasmanian Audit Office

STRIVE | LEAD | EXCEL | *TO MAKE A DIFFERENCE*

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Web: www.audit.tas.gov.au

12 August 2009

The Board of Directors
Forestry Tasmania
49 Melville Street
Hobart Tas 7000

Dear Board Members

Auditor's Independence Declaration

In relation to my audit of the financial report of Forestry Tasmania for the financial year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of Australian Auditing Standards in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

As agreed, a copy of this declaration will be included in the Annual Report.

Yours sincerely

H M Blake
AUDITOR-GENERAL

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corporate GOVERNANCE

The Board of Directors of Forestry Tasmania comprises five independent non-executive directors and the Managing Director. It is responsible for the overall corporate governance of the Organisation.

This includes setting strategic direction, overseeing financial performance and business affairs, setting management goals and monitoring management's performance.

As a fully state-owned government business enterprise, the Board of Directors is responsible directly to the Minister for Energy and Resources for its operations.

All current directors have been appointed in accordance with the Forestry Act and their responsibilities are outlined in the *Government Business Enterprises Act 1995*. As a result of recent changes in legislation, future appointments will be in accordance with the *Government Business Enterprises Act 1995*. Remuneration fees for non-executive directors are set by government.

The Board aspires to a high degree of ethical behaviour and accountability and has developed a set of policies and procedures to govern its operations in accordance with these principles.

In October 2008 the government issued a *Governance Framework Guide* including a set of *Corporate Governance Principles* as part of a series of guideline documents for Tasmanian Government businesses. The Board has reviewed these guideline documents and updated its corporate governance framework during the year.

Monthly reports on operations and finance are supplied to the Board about the outputs of the Organisation. These are reviewed monthly with senior managers, who also regularly contribute advice on strategic issues to the Board.

The Board visits operating sites and major customers as part of its corporate governance role. The Chairman of the Board has meetings from time to time with the Minister for Energy and Resources and reports quarterly financial performance to the Treasurer.

Board of Directors 2008-09

Adrian Kloeden (Chairman) – MSc(BusStudies) *Lond*, BScFor(Hons) *ANU*, FAICD
Deborah Radford – BEc *LaTrobe*, GradDipFin&Inv *SecInstAust*
Humphrey J Elliott – BScFor *ANU*, DipAgricEnt *Syd*, PhD *Syd*
Miles Hampton – BEc (Hons) *Tas*, FCPA, FCIS, FAICD
Geoff Coffey – FCPA, ACIS ACIM, GAICD, Dip FP
Robert L Gordon – BSc, MIFA, MAICD

Secretary to the Board

John Mazengarb – BComm *Tas*, ACA

Other governance issues

- An independent external Board review was undertaken by Ixion Corporation Pty Ltd in 2008-09 involving Directors, senior management and relevant government ministers and stakeholders.
- All the Directors are soundly experienced in corporate law and governance issues.
- The combined skills of the Directors include international, corporate management, marketing, finance and forest management.
- The Directors adhere to the Forestry Tasmania Corporate Governance Policy and Human Resources Policies and Procedures.
- Board sub-committees are governed by individual charters and membership is based on expertise.

The Directors have fully reviewed the set of *Guidelines for Tasmanian Government Businesses* produced by the Department of Treasury and Finance in October 2008 and have considered their application to the governance of Forestry Tasmania.

The Board's corporate governance policy outlines the procedures that allow for any Director to seek independent professional advice at the expense of Forestry Tasmania.

board COMMITTEES

The Board of Directors holds special ad-hoc meetings as required, and has four sub-committees. These committees make informed recommendations on corporate issues to the Board, which then makes final decisions to guide Forestry Tasmania's operations.

Audit and Risk Committee

This committee monitors Forestry Tasmania's overall control procedures, external financial reporting and business risks. It provides direct oversight and liaison, on behalf of the Board, with the internal auditors (KPMG) and the Tasmanian Audit Office. The committee meets the independent internal auditors privately at least once a year to review the performance of the Organisation and obtain assurances on the adequacy of financial and accounting controls.

Members: M Hampton (chair), A Kloeden, G Coffey
Attendees: R Gordon, J Mazengarb, T Attwood, and representatives from KPMG and the Tasmanian Audit Office

Remuneration and Board Nominations Committee

This committee oversees remuneration policies, and reviews and approves remuneration arrangements for the senior executives. It also carries out the functions related to Board nominations as contained in the government's guideline document on *Board Appointments for Tasmanian Government Businesses*.

Members: A Kloeden (chair), D Radford, H Elliott, G Coffey, M Hampton

Environmental, Safety and Health Committee

This committee monitors implementation of the Organisation's environmental, occupational health and safety policies, and forest management systems. It reviews any related strategic issues.

Members: H Elliott (chair), M Hampton, R Gordon
Attendee: H Drielsma

Finance Committee

This committee provides guidance to the Board on financial policy, proposals and strategies.

Members: D Radford (chair), A Kloeden, G Coffey
Attendees: R Gordon, J Mazengarb, T Attwood

		Board Meetings		Audit & Risk		Environmental, Safety & Health		Finance		Remuneration & Board Nominations	
	Director since	Eligible	Number	Eligible	Number	Eligible	Number	Eligible	Number	Eligible	Number
A Kloeden	Jul 2000	12	12	5	4			3	3	3	3
H Elliott	Nov 2001	12	11			4	4			3	3
D Radford	Jul 2003	12	12					3	3	3	3
G Coffey	Jul 2007	12	11	5	5	4	4	3	3	3	3
M Hampton	Jul 2007	12	10	5	5					3	2
R Gordon	Jan 2007	12	9	5	2	4	4	3	2	3	3

legislative AND POLICY COMPLIANCE

Forestry Tasmania operates in accordance with the following statutes and policies:

- *Anti Discrimination Act 1998*
- *Forest Practices Act 1985*
- *Forestry Act 1920*
- *Forests & Forest Industry Strategy 1991*
- *Freedom of Information Act 1991*
- *Government Business Enterprises Act 1995*
- *New Forestry Initiatives 1999*
- *Public Land (Administration & Forests) Act 1991*
- *The Forestry Growth Plan 1998*
- *The Tasmanian Regional Forest Agreement 1997*
- *Timber Promotion Act 1970*
- *Trade Practices Act 1974*
- *Tasmanian Community Forest Agreement 2005*
- *Vocational Education and Training Act 1994*
- *Workers Rehabilitation and Compensation Act 1988*
- *Workplace Health and Safety Act 1995*

Statement of corporate intent

Prepared pursuant to Section 41 of the *Government Business Enterprises Act 1995*.

The main business of Forestry Tasmania is the sustainable production and delivery of forest products and services for optimum community benefit.

The key ways this will be achieved are by:

- expanding hardwood production capacity through intensive forest management, including establishing new plantations;
- expanding softwood production capacity through a joint venture company established by partial sale of the state softwood plantation resource; and
- marketing the recreational and tourism potential of state forests.

The range of non-commercial activities undertaken by Forestry Tasmania as part of multiple-use forest management on non-commercial areas of state forest will include:

- conserving natural and cultural heritage values;
- providing recreation, education and research activities; and
- providing forest fire protection services for the state.

managing DIRECTOR'S STATEMENTS

The Superannuation Guarantee

Forestry Tasmania has met its obligations under the *Superannuation Guarantee (Administration) Act 1992* of the Commonwealth, as amended, in respect of any employee who is or becomes a member of a complying superannuation scheme to which the Agency contributes, other than the accumulation scheme or the contributory scheme.

Procurement and Tasmanian businesses

Forestry Tasmania ensures that Tasmanian businesses are given every opportunity to compete for its goods and services contracts. It is our policy to support Tasmanian businesses whenever their services are competitive in terms of quality and price. The Organisation entered into 112 purchase orders during 2008-09 valued at more than $50,000, with a total value of $12.9 million. Ninety-one of these purchase orders were with Tasmanian suppliers for a total value of $10.9 million.

Bob Gordon

Managing Director