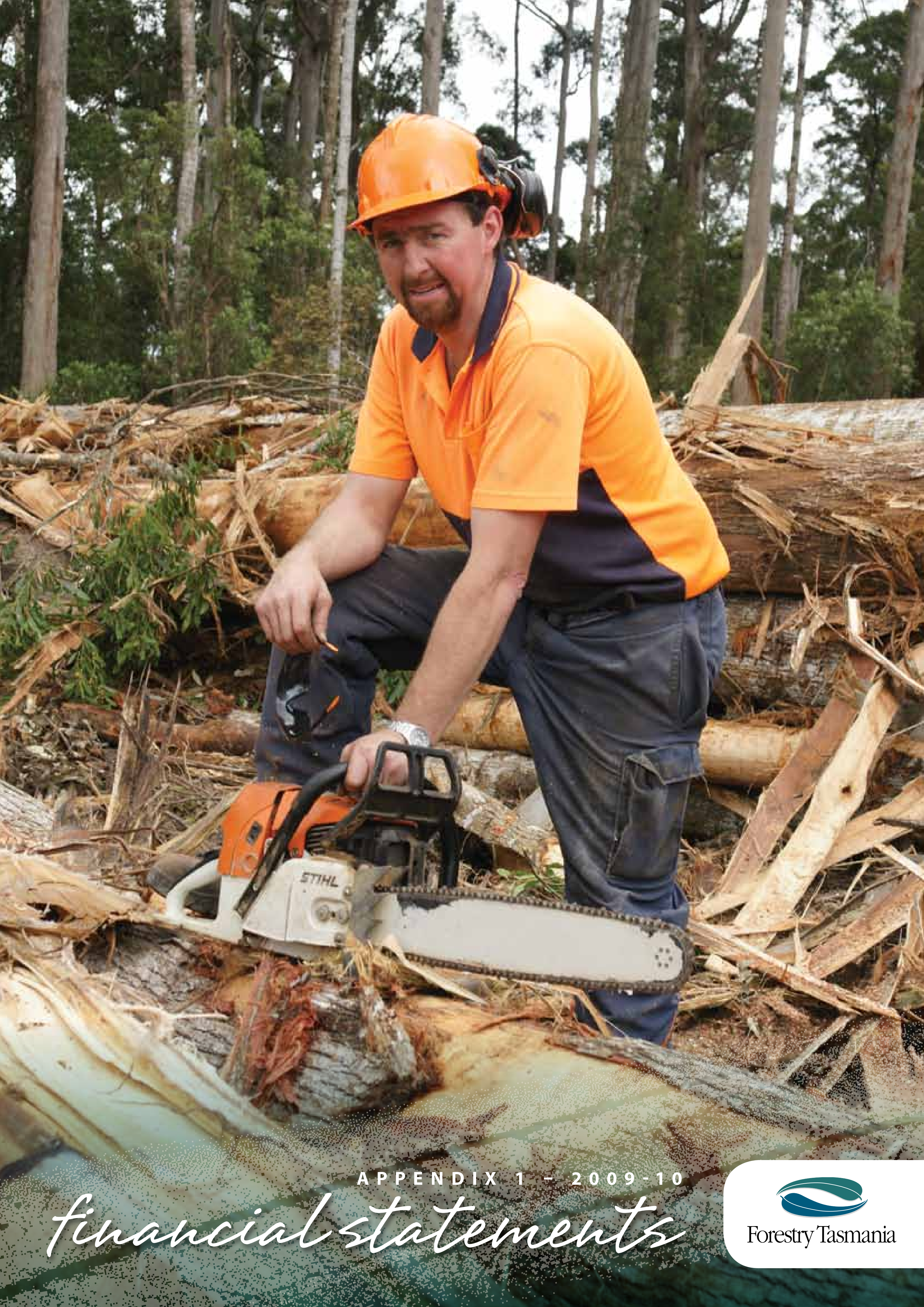

APPENDIX 1 – 2009-10

financial statements

Forestry Tasmania

statements OF COMPREHENSIVE INCOME

Statements of Comprehensive Income

For the year ended 30 June 2010

		Consolidated		Parent Entity	
		2010	2009	2010	2009
	Note	$'000	$'000	$'000	$'000
Revenue from forest sales	5	**135,182**	155,272	**135,182**	155,272
Other revenue and income	6	**20,655**	21,692	**17,537**	19,697
Tasmanian Community Forest Agreement – operating activities	7	**4,282**	3,504	**4,282**	3,504
Expense from operations before costs attributable to non-commercial zones	8	**(158,072)**	(161,300)	**(155,490)**	(159,660)
Finance income	9	**2,023**	2,499	**2,023**	2,499
Finance expense	9	**(2,940)**	(3,306)	**(1,934)**	(2,287)
Share of net profit/(loss) of joint ventures accounted for using the equity method	32	**135**	(15)	**135**	(15)
Profit before tax, costs attributable to non-commercial zones and other items*		**1,265**	18,346	**1,735**	19,010
Costs attributable to non-commercial forest zones ^	8e	**(9,262)**	(9,090)	**(9,262)**	(9,090)
Profit/(loss) before tax and other items*		**(7,997)**	9,256	**(7,527)**	9,920
Income tax (expense)/benefit on profits before other items*	11	**4,009**	(2,784)	**3,867**	(3,015)
Profit/(loss) after tax before other items*		**(3,988)**	6,472	**(3,660)**	6,905
Other items					
Tasmanian Community Forest Agreement – intensive forest management	7	**5,836**	9,484	**5,836**	9,484
(Increase)/decrease in the unfunded superannuation liability	26, 2(r)(ii)	**(19,404)**	(14,950)	**(19,404)**	(14,950)
Biological asset valuation increment/(decrement)	10	**(74,630)**	43,449	**(74,630)**	43,449
Establishment of obligations for non-commercial zones	25	**(65,800)**	-	**(65,800)**	-
Increase/(decrease) in the fair value of superannuation investment	21	**1,299**	(2,217)	**1,299**	(2,217)
Gain/(loss) of subsidiary company	21	**-**	-	**(471)**	(729)
Impairment of non current assets – Plant, property and equipment	18	**(1,736)**	(773)	**(1,736)**	(773)
Impairment of non current assets – Land	17	**(217,198)**	-	**(217,198)**	-
Income tax (expense)/benefit on these items	11	**111,739**	(9,179)	**111,881**	(9,047)
Net profit/(loss) attributable to the owners of Forestry Tasmania		**(263,882)**	**32,286**	**(263,883)**	**32,122**
Other comprehensive income					
Increase/(decrease) in the revaluation of land and buildings	17, 18	**(59,631)**	1,291	**(59,631)**	1,291
Income tax on revaluation of land and buildings	11	**17,844**	(363)	**17,844**	(387)
Share of other comprehensive income of joint ventures accounted for using the equity method		**-**	-	**-**	-
Other comprehensive income/(expense) for the year, net of income tax		**(41,787)**	928	**(41,787)**	904
Total comprehensive income/(expense) for the year attributable to the equity holders of the parent		**(305,669)**	**33,214**	**(305,670)**	**33,026**

* Other items comprise capital grant income, biological asset valuation adjustment, movement in the unfunded superannuation liability, superannuation investment, asset revaluations, movement in investment of subsidiaries and impairment of assets.

^ Does not include non-commercial obligations costs attributed to general forest zones.

The Statements of Comprehensive Income are to be read in conjunction with the accompanying notes to the financial report.

statements OF CHANGES IN EQUITY

Statements of Changes in Equity

For the year ended 30 June 2010

Consolidated	Contributed Equity $'000	Forest Revaluation Reserve $'000	Joint Venture Forest Revaluation Reserve $'000	Property & General Revaluation Reserve $'000	Superannuation Reserve $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 July 2008	232,057	204,321	21,572	48,809	11,981	26,336	545,076
Total comprehensive income for the year							
Profit or loss	-	-	-	-	-	31,759	31,759
Other comprehensive income							-
Increase/(decrease) in the revaluation of land and buildings	-	-	-	1,291	-	-	1,291
Income tax on other comprehensive income	-	-	-	(159)	-	159	-
Total other comprehensive income	-	-	-	1,132	-	159	1,291
Total comprehensive income for the year	-	-	-	1,132	-	31,918	33,050
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Funds provided for construction and development of income generating assets	3,400	-	-	-	-	-	3,400
Dividends to equity holders	-	-	-	-	-	-	-
Total contributions by and distributions to owners	3,400	-	-	-	-	-	3,400
Total transactions with owners	3,400	-	-	-	-	-	3,400
Balance at 30 June 2009	235,457	204,321	21,572	49,941	11,981	58,254	581,526
Balance at 1 July 2009	235,457	204,321	21,572	49,941	11,981	58,254	581,526
Total comprehensive income for the year							
Profit or loss	-	-	-	-	-	(263,882)	(263,882)
Other comprehensive income							-
Increase/(decrease) in the revaluation of land and buildings		(41,949)	-	296	-	-	(41,653)
Transfer TCFA funds received to revenue received in advance	(1,000)						(1,000)
Transfer to retained earnings		(162,372)	(21,572)	(43,045)	(11,981)	239,051	81
Income tax on other comprehensive income	-	-	-	-	-	-	-
Total other comprehensive income	(1,000)	(204,321)	(21,572)	(42,749)	(11,981)	239,051	(42,572)
Total comprehensive income for the year	(1,000)	(204,321)	(21,572)	(42,749)	(11,981)	(24,831)	(306,454)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders	-	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-
Balance at 30 June 2010	234,457	-	-	7,192	-	33,423	275,072

statements OF CHANGES IN EQUITY

Parent Entity	Contributed Equity	Forest Revaluation Reserve	Joint Venture Forest Revaluation Reserve	Property & General Revaluation Reserve	Super-annuation Reserve	Retained Earnings	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2008	232,057	204,321	21,572	48,654	11,981	26,393	544,978
Total comprehensive income for the year							
Profit or loss	-	-	-	-	-	31,731	31,731
Other comprehensive income							-
Increase/(decrease) in the revaluation of land and buildings	-	-	-	1,291	-	-	1,291
Income tax on other comprehensive income	-	-	-	(159)	-	159	-
Total other comprehensive income	-	-	-	1,132	-	159	1,291
Total comprehensive income for the year	-	-	-	1,132	-	31,890	33,022
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Funds provided for construction and development of income generating assets	3,400	-	-	-	-	-	3,400
Dividends to equity holders	-	-	-	-	-	-	-
Total contributions by and distributions to owners	3,400	-	-	-	-	-	3,400
Total transactions with owners	3,400	-	-	-	-	-	3,400
Balance at 30 June 2009	235,457	204,321	21,572	49,786	11,981	58,283	581,400
Balance at 1 July 2009	235,457	204,321	21,572	49,786	11,981	58,283	581,400
Total comprehensive income for the year							
Profit or loss	-	-	-	-	-	(263,883)	(263,883)
Other comprehensive income							-
Increase/(decrease) in the revaluation of land and buildings		(41,949)	-	296	-	-	(41,653)
Transfer TCA funds received to revenue received in advance	(1,000)						(1,000)
Transfer to retained earnings		(162,372)	(21,572)	(43,045)	(11,981)	238,998	28
Income tax on other comprehensive income	-	-	-	-	-	-	-
Total other comprehensive income	(1,000)	(204,321)	(21,572)	(42,749)	(11,981)	238,998	(42,625)
Total comprehensive income for the year	(1,000)	(204,321)	(21,572)	(42,749)	(11,981)	(24,885)	(306,508)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders	-	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-
Balance at 30 June 2010	234,457	-	-	7,037	-	33,398	274,892

The Statements of Changes in Equity are to be read in conjunction with the accompanying notes to the financial report.

statements OF FINANCIAL POSITION

Statements of Financial Position

As at 30 June 2010

		Consolidated		Parent Entity	
		2010	2009	2010	2009
	Note	$'000	$'000	$'000	$'000
Current assets					
Cash and cash equivalents	2(i), 13(a)	**29,546**	37,043	**29,270**	36,855
Trade and other receivables	2(i), 14	**38,540**	31,561	**38,212**	33,608
Inventories	15	**12,189**	10,825	**12,189**	10,825
Biological assets	2(l), 16	**5,559**	23,864	**5,559**	23,864
Total current assets		**85,834**	103,293	**85,230**	105,152
Non-current assets					
Trade and other receivables	2(i), 14	**67**	12	**3,713**	1,562
Other investments	2(i), 21	**14,636**	13,250	**14,896**	13,981
Investments accounted for using the equity method	20	**351**	216	**351**	216
Deferred tax assets	11(c)	**125,317**	39,715	**124,368**	37,988
Property, plant and equipment	2(n), 18	**46,385**	58,475	**24,493**	35,485
Forest estate assets	2(k), 17	**114,654**	392,422	**114,654**	392,422
Biological assets	2(l), 16	**313,178**	361,433	**313,178**	361,433
Intangible assets	2(o), 19	**326**	560	**326**	560
Total non-current assets		**614,914**	866,083	**595,979**	843,647
Total assets		**700,748**	969,376	**681,209**	948,799
Current liabilities					
Trade and other payables	22	**20,330**	17,449	**20,054**	17,590
Revenue received in advance	2(i), 23	**14,191**	20,154	**13,989**	19,953
Interest bearing liabilities	24	**19,979**	19,964	**19,800**	19,800
Obligations for non-commercial forest zones	2(s), 25	**5,354**	-	**5,354**	-
Employee benefits	2(r), 26	**9,727**	10,451	**9,727**	10,451
Total current liabilities		**69,581**	68,018	**68,924**	67,794
Non-current liabilities					
Trade and other payables	22	**10**	10	**442**	-
Revenue received in advance	2(i), 23	**45,775**	35,792	**38,354**	27,920
Interest bearing liabilities	24	**32,706**	32,885	**21,000**	21,000
Deferred tax liabilities	11(c)	**97,850**	145,841	**97,843**	145,381
Obligations for non-commercial forest zones	2(s), 25	**60,446**	-	**60,446**	-
Employee benefits	2(r), 26	**119,308**	105,304	**119,308**	105,304
Total non-current liabilities		**356,095**	319,832	**337,393**	299,605
Total liabilities		**425,676**	387,850	**406,317**	367,399
Net assets		**275,072**	581,526	**274,892**	581,400
Equity					
Contributed equity		**234,457**	235,457	**234,457**	235,457
Reserves	2(v)	**7,192**	287,815	**7,037**	287,660
Retained earnings		**33,423**	58,254	**33,398**	58,283
Total equity		**275,072**	581,526	**274,892**	581,400

The Statements of Financial Position are to be read in conjunction with the accompanying notes to the financial report.

Forestry Tasmania

Cash flow statements

For the year ended 30 June 2010

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Cash flows from operating activities					
Inflows:					
Cash receipts from customers		**151,292**	162,861	**147,627**	160,726
Revenue proceeds from the Tasmanian Community Forestry Agreement	2(e), 7	**-**	-	**-**	-
Distributions received		**1,695**	1,875	**1,695**	1,875
Interest received	9	**2,023**	2,166	**2,023**	2,166
Outflows:					
Payments to suppliers and employees		**(165,193)**	(161,633)	**(162,780)**	(160,614)
Borrowing costs paid		**(1,934)**	(1,954)	**(1,934)**	(1,954)
Tax equivalents paid		**-**	-	**-**	-
Net cash provided by / (used in) operating activities	13(b)	**(12,117)**	3,315	**(13,369)**	2,199
Cash flows from investing activities					
Inflows:					
Proceeds from investments		**-**	-	**-**	(50)
Proceeds from sale of property, plant and equipment		**6,176**	2,069	**6,176**	2,069
Capital proceeds from the Tasmanian Community Forestry Agreement	2(e), 7	**21,966**	41,792	**21,965**	41,690
Outflows:					
Payments into investments		**-**	-	**-**	-
Payments to suppliers and employees for plantation forest activities		**(8,070)**	(12,094)	**(8,070)**	(12,094)
Payments for property, plant and equipment and other assets		**(14,282)**	(17,775)	**(14,287)**	(17,762)
Net cash provided by / (used in) investing activities		**5,790**	13,992	**5,784**	13,853
Cash flows from financing activities					
Inflows:					
Equity contribution		**-**	-	**-**	-
Proceeds of borrowings	24	**-**	-	**-**	-
Outflows:					
Finance lease payments		**(1,170)**	(1,183)	**-**	-
Dividend paid	12	**-**	-	**-**	-
Net cash provided by / (used in) financing activities		**(1,170)**	(1,183)	**-**	-
Net increase/(decrease) in cash and cash equivalents held		**(7,497)**	16,124	**(7,585)**	16,052
Cash and cash equivalents at the beginning of the year		**37,043**	20,919	**36,855**	20,803
Cash and cash equivalents at the end of the year	13(a)	**29,546**	37,043	**29,270**	36,855

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" or "Parent Entity"), which is a state-owned government business enterprise, the entities it controlled and its interest in joint ventures (together referred to as the "Group"). The Group is primarily involved in the sustainable management of the Tasmanian state owned forest. The Organisation's Head Office is located at 79 Melville Street, Hobart, Tasmania; however, it conducts its operations across Tasmania.

2 Statement of significant accounting policies

The accounting policies set out below, unless specifically noted otherwise in individual notes, 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 Act) 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 2010 were authorised for issue by the Board of directors on 13 August 2010.

(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 costs to sell; Investments disclosed in note 2(i); Forest land, land under buildings and buildings are all measured at fair value. The methods used to measure fair-values are disclosed in note 2(l). Obligations for non-commercial zones are disclosed in note 2(s). The superannuation liability is based on independent actuarial advice.

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 costs to sell
– Note 2(l) (i) – Forest land – measurement of fair value
– Note 26 – Superannuation liability – measurement of defined benefit obligation
– Note 2(s) – Obligations for non-commercial zones
– Note 2(r)(v) - Provision for workers compensation – measurement of future liability

(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. 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.

(ii) Joint ventures

Joint ventures are those entities in which Forestry Tasmania has joint control over the financial and operating policies. Jointly controlled entities, operations or assets are accounted for by using either the equity method or proportionate consolidation.

– Equity method – The investment in the joint venture is initially 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 joint control commences until the date that 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.

– Proportionate consolidation – Forestry Tasmania's interest 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.

(iii) 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 revenue received in advance until expenditures have been incurred (refer note 23).

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 value of the grant is deducted from the carrying amount of the asset. The grant is recognised in profit and loss over the life of the depreciable asset as a reduced depreciation expense. In prior years the fair value of the grant was credited to a deferred income account and was released to the profit and loss over the expected useful life of the relevant asset in equal annual instalments. When a grant relates to a biological asset, the income in recognised in the profit and loss 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.

(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 profit and loss. At 30 June 2010, the net carrying amount of leased plant, machinery and equipment was $ nil (2009: $ 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 collectability 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 profit and loss 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 an other liability and stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30-day terms.

Revenue received in advance – Funds received in advance under the TCFA are accounted for as revenue 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). All TCFA funding has been received by Forestry Tasmania and will be for the establishment of additional and improvement of existing hardwood plantations to compensate for the loss of sustainable forest due to the creation of additional conservation reserves.

Interest-bearing liabilities – are classified as an other liability and stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss 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 – The superannuation investment is an investment portfolio comprising cash and equities with independent investment managers. Unrealised capital gains are taken to the Superannuation Revaluation Reserve. 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. Fair value is determined using market prices from fund managers that are from an active and liquid market.

Investment in Ta Ann Tasmania – Forestry Tasmania 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. As at 30 June 2010, the balance was $0.4 million (see note 21).

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) Trade receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. An allowance for doubtful debts is made when there is objective evidence that the organisation will not be able to collect debts. Bad debts are written off when identified.

(k) Forest estate assets – wholly owned estate

The forest estate comprises the productive biological assets, land and roads. To comply with AASB 141 'Agriculture', the biological assets have been separately reported in note 16 of the accounts. The biological asset is separately reported in the Statement of Financial Position from the remaining forest estate assets (land and roads). Refer to note (l) below for valuation methodology to arrive at the values for these component assets.

(l) Biological assets

Change in accounting estimate

During 2010, Forestry Tasmania engaged James W Sewall Company (Sewall) to establish a valuation for its entire forest estate, inclusive of land and roads. Sewall is a US-based company with international (including Australasian) experience in valuing forest estates. As a result of this, the methodology applied to arrive at the valuation for these component parts, differed from that previously applied in prior years by Forestry Tasmania. This methodology utilised by Sewall, which considered new developments and new information that was not previously available to Forestry Tasmania, has been adopted by Forestry Tasmania and has resulted in a change in accounting estimate under AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Therefore, in accordance with the requirements of AASB 108, the change in accounting estimate has been adjusted in the current year Statement of Comprehensive Income rather than being retrospectively adjusted. This change in accounting estimate has resulted in a decrease in the biological asset of $140.430m and a decrease in net deferred tax asset/liability of $115.748m. Naturally, this change in accounting estimate arising from the change in methodology will impact future periods; however, it is impracticable to estimate the future effect.

Forest estate valuation methodology

The methodology applied to estimate the enterprise value for the biological asset (forest), land and roads involves an income capitalisation approach. The income capitalisation approach involves using a discounted cash flow analysis which estimates the net annual income derived from the forest estate in each year of the projected holding period of the asset. A market derived discount rate is then used to discount these annual net incomes to arrive at a present value of the existing forest crop as required under AASB 141 'Agriculture'. The valuation approach used is equivalent to fair value less costs to sell as required by AASB 141 to value the biological assets.

The income capitalisation approach referred to above produces a value that is inclusive of the forest land and roads. Therefore, to arrive at a value for the biological asset (forest), the fair value of the land and roads are deducted from the full value derived from the income capitalisation value.

The valuation methodology divides the current forest under management into the following three areas:

– General forest zone: comprises both native forest and plantation forest zones (couped and uncouped) that are available for production as well as informal reserves.

– Special timbers zone: comprises the forest that has a unique forest management plan and non-profit sustained yield objective (see note 2(s)).

– Formal forest reserves: those forest areas subject to formal legislation restricting any forest production (Forest Reserves under Clause 20 of the Forestry Act).

(Special timbers zone and Formal forest reserves zone comprise the non-commercial zones)

Due to the different uses and restrictions placed on each of these three areas, separate valuations utilising the income capitalisation approach are derived. Further, given that the valuations for the special timbers zone and formal forest reserves result in negative valuations, these have been separately recognised as obligation liabilities in the Statement of Financial Position (refer notes 2(s) and 25).

Key assumptions used in the income capitalisation approach

– Forest management and silviculture practices: Assumes the continuation of existing practices with regard to forest management and silviculture.

– Discount rates: For all three wholly owned forest zones, a pre-tax real discount rate of 8.10% (2009: 9.00%) is used. This discount rate is a market-based rate.

– Forest yields/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.

– Future rotations: Only the current standing timber crop is valued in accordance with AASB 141. 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: The costs included in the discounted cash flow model are directly attributable to the management of the forest estate and include tending costs (pruning, waste thinning, fertilisation, weed control, pest control), fire protection, rates, administration, general forest management, overheads, research and development, tourism (allocated to formal reserves only). The costs directly attributable are allocated to the three forest zones. Generally, all tending costs are allocated 100% to general forest zones, all tourism costs are allocated 100% to formal forest reserves, while others are allocated based on the proportional hectare of each forest zone.
Costs associated with harvesting and transporting of timber are excluded, given stumpage rates are used to calculate timber revenues. Further, an imputed land rental charge is not included on the basis that the land value recognised in the Statement of Financial Position is deducted from the valuation and recorded separately. It has been assumed that there will be no real increase in costs.

Sewall has reviewed current and historical prices and pricing trends over the full range of products. Assumptions have been made about long-term prices and the time taken to achieve these prices. It has been assumed that all products attain long-term trend prices within five years and thereafter there are no real price increases. Costs were also reviewed using data from the past six years, which were adjusted for CPI movements. The valuer then made an assessment of costs and it was assumed that there were no real increases in costs for future years.

– Prices: Stumpage rates are used to determine the revenues. The prices are based on current and historical prices and pricing trends over the full range of products. Assumptions have been made about long-term prices and the time taken to achieve these prices. It has been assumed that all products attain long-term trend prices within five years and thereafter there are no real price increases.

Sensitivity to key assumptions used in the income capitalisation approach

The forest valuation is sensitive to changes in price, discount rate and cost and the following is noted in regard to these three key areas:

– Price: a 5% increase will increase the valuation of the biological asset by $26.000 million.
– Discount rate: a 1% increase will decrease the valuation of the biological asset by $27.085 million.
– Cost: a 5% increase will decrease the valuation of the biological asset by $25.960 million.

(i) Forest

The forest is measured at fair value less costs to sell, with any changes therein recognised in the Statement of Comprehensive Income under 'Biological asset valuation increment/(decrement)'.

Forestry Tasmania's rights to plantations (at harvest date) through Tree Farm Agreements are also valued using the same methodology noted above.

(ii) Roads

The carrying amount of the roads is deducted from the forest estate valuation derived from the methodology described above and recognised separately on the Statement of Financial Position within 'Forest Estate Assets'. While the major and minor roads and road structures are reported at cost less depreciation and any impairment, the Directors are satisfied that the carrying amount materially equates to fair value. Accordingly, this supports the appropriateness of deducting the carrying amount of roads from the forest estate valuation.

(iii) Land

Forestry Tasmania does not hold freehold title over the majority of land but is deemed to control the land as, under the *Forestry 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. Under this Act and resultant custom and practice adopted by Forestry Tasmania and the State of Tasmania, Forestry Tasmania is responsible for the management and maintenance of these areas. These obligations have been recognised as a liability (see note 2(s)).

Change in accounting policy and accounting estimate

On the basis of the independent Sewall valuation effective as at 30 June 2010, the Directors have resolved that the appropriate carrying value of the land is zero.

On transition to fair value, having regard to the most recent independent Sewall valuation, a change in accounting estimate arose that introduced new information not known in previous periods that resulted in a decrement of the land's previous carrying value at deemed cost by $277.125m. Accordingly, during the year this decrement in valuation (using fair value less costs to sell as the recoverable amount) was treated firstly by utilising the historical forest land asset revaluation reserve ($59.926m) with the remaining decrement being taken to the Statement of Comprehensive Income as a charge titled 'Impairment of non-current assets – Land'. Naturally, this change in accounting estimate arising from the change in methodology and accounting policy will impact future periods; however, it is impracticable to estimate the future effect as this is determined by market forces not yet known.

The historical cost of forest land held at fair value is nil on the basis of the exclusive management right referred to above.

(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 method has been used as that in place for wholly owned forests. Forestry Tasmania brings to account its share of the joint venture.

The crop value of the Forestry Tasmania/GMO Renewable Resources joint venture 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, Sewall. All prices are adjusted for expected future market trends. The pre-tax real market-based discount rate applied to softwood plantation crops is 7.35% (2009: 9.00%).

(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 included as a directly attributable cost of the asset.

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 five years (2009: five years). The remaining lives of intangible assets range between one and five years.

Research and development expenditure is charged to the comprehensive income statement unless it is capable of recognition as an intangible asset. Research and development expenditure that has been charged to the comprehensive income statement during the year totalled $2.990 million (2009: $3.189 million).

(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) 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 profit and loss 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.

(r) 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.

An independent actuarial assessment of Forestry Tasmania's unfunded superannuation liability has determined the overall obligation to current and past employees. The actuary uses the 'projected unit credit' method to determine the unfunded superannuation liability.

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 is 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 2010. The provision also includes an allowance for unreported claims at 30 June 2010.

(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.

(s) Obligations for non-commercial zones

As a result of the valuation received from Sewall, as noted in note 2(l), new developments and new information have been obtained regarding the quantum of certain of Forestry Tasmania's community service obligations (CSOs) that are currently unfunded. The change in valuation methodology applied to the forest estate resulted in two areas, formal forest reserves zone and special timbers zone, returning negative asset valuations. Together these are recognised as the 'non-commercial zones'. These values are primarily negative on the basis of the CSOs associated with these areas. Forestry Tasmania considers the CSOs as an implied term of its existing forest management rights granted and restrictions imposed, under the *Forestry Act 1920*, to sustainably manage the forest. Its CSOs include fire protection, pest control, forest and land management, tourism, development and maintenance of public road access, and conservation of natural and cultural values.

Forestry Tasmania recognises there are also CSO costs associated with the general forest zone (see note 2(l)). These costs have not been separately identified at this time.

Forestry Tasmania has determined that it has both a legal and constructive obligation in respect to the non-commercial forest zones and accordingly has recognised a liability in the Statement of Financial Position. This obligation is split between current and non-current, with the current portion representing the present value of the obligation cash flows expected in the next 12 months.

The obligation commitment has been calculated using a discounted cash flow model using the same assumptions as the forest estate valuation noted in note 2(l) and calculated by independent valuer Sewall. The quantification of attributable costs was based on actual direct costs plus an allocation of relevant direct and indirect costs principally on a percentage of non-commercial land to total land.

The expenses relating to this obligation commitment have been separately disclosed on the face of the Statement of Comprehensive Income, with the comparatives restated to ensure consistency and comparability.

(t) Finance income and expenses

Finance income comprise 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 comprises 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, unless they relate to a qualifying asset, in which case they are capitalised as noted in note 2(n).

(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 profit and loss in the financial year in which they occur.

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

(v) Derivative financial instruments

Forestry Tasmania uses derivative financial instruments such as forward currency contracts to hedge its risks associated with interest rate and foreign currency fluctuations. The derivative financial instrument is initially recognised at fair value on the date on which a derivative contract is entered into and is subsequently remeasured to fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of the hedge at reporting periods is taken directly to net profit or loss for the year.

(w) 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.

Joint venture forest revaluation reserve – In 2010 this balance was transferred to retained earnings.

Forest revaluation reserve – In 2010 this balance was transferred to retained earnings.

General reserve – In the 1995-96 financial year the retained profits of the former Forestry Commission were transferred into a general reserve. In 2010 this balance was transferred to retained earnings.

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. In 2010 this balance was transferred to retained earnings.

All of these reserves have been transferred to retained earnings as the Board has determined they are no longer necessary.

3 New standards not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report:

AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.

AASB 9 'Financial Instruments' was issued in December 2009 and is Phase I of the IASB's comprehensive project to replace IAS 39 (AASB 139). This standard is effective for periods beginning on or after 1 January 2013; however, can be early adopted. The standard represents a significant change in the accounting for financial assets and now only contains two primary measurement categories (fair value or amortised cost) and removes the previous categories of held to maturity, available for sale and loans and receivables. The impacts of these amendments, which become mandatory for the Group's 30 June 2014 financial statements, have not yet been quantified.

AASB 1053 'Application of Tiers of Australian Accounting Standards' was issued in 1 June 2010. This standard is effective for periods beginning on or after 1 July 2013. The standard established a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.

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 36 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.

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 and costs attributable to non-commercial forest zones and CSOs. Net debt and interest coverage ratios exclude the movement in and the balance of the unfunded superannuation liability.

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
5 Revenue from forest sales				
Sales revenue	**114,136**	136,773	**114,136**	136,773
Share of GMO joint venture revenue	**21,046**	18,499	**21,046**	18,499
	135,182	155,272	**135,182**	155,272
6 Other revenue and income				
Gain on sale of assets	**-**	195	**-**	195
Forest management services income	**5,982**	7,624	**5,982**	7,624
Government grants	**542**	3,517	**241**	3,216
Firefighting income	**2,907**	617	**2,907**	617
Nursery and seed sales	**1,144**	1,004	**1,144**	1,004
Tourism revenue	**2,364**	2,622	**2,364**	2,622
Proponent infrastructure fees	**150**	150	**-**	-
Other revenue	**7,566**	5,963	**4,899**	4,419
	20,655	21,692	**17,537**	19,697
7 Tasmanian Community Forest Agreement income				
Grant income for operating activities	**4,282**	3,504	**4,282**	3,504
Grant income for intensive forest management plantation activities	**5,836**	9,484	**5,836**	9,484
	10,118	12,988	**10,118**	12,988

8 Expense from operations before costs attributable to non-commercial zones

	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
(a) Payments to contractors	**80,671**	88,259	**80,671**	88,259
(b) Other expenses				
Share of GMO joint venture expenses	**16,689**	15,674	**16,689**	15,674
Freight	**3,979**	1,526	**3,979**	1,526
Office expenses	**2,384**	2,652	**2,383**	2,652
Local government rates	**2,814**	2,498	**2,765**	2,483
Property rental	**2,147**	2,154	**2,147**	2,154
Consultancies and professional services	**1,795**	1,198	**1,739**	1,163
Fuel	**1,583**	1,721	**1,583**	1,721
Property management	**1,519**	1,701	**1,448**	1,672
Minor equipment purchases and rentals	**1,173**	1,276	**1,173**	1,276
Information technology expense	**1,184**	619	**1,184**	619
Operating lease rentals	**458**	430	**458**	430
Loss on sale of assets	**53**	-	**53**	-
Travel and accommodation	**598**	717	**598**	717
Other	**8,083**	5,751	**6,775**	5,287
	44,459	37,917	**42,974**	37,374
(c) Depreciation and amortisation expense				
Plant and equipment	**2,629**	2,087	**2,629**	2,087
Plant and equipment under finance lease	**927**	927	**-**	-
Site infrastructure	**170**	170	**-**	-
Roads and road structures	**7,290**	7,931	**7,290**	7,931
Buildings and leasehold improvements	**481**	2,758	**481**	2,758
Intangibles	**300**	406	**300**	406
	11,797	14,279	**10,700**	13,182
(d) Employee benefits expense				
Salaries and wages	**25,963**	25,668	**25,963**	25,668
Other associated expenses	**377**	340	**377**	340
Contribution to defined contribution superannuation funds	**2,661**	2,680	**2,661**	2,680
Workers compensation costs	**1,003**	1,020	**1,003**	1,020
Redundancy payments	**403**	227	**403**	227
	30,407	29,935	**30,407**	29,935
	167,334	170,390	**164,752**	168,750
(e) Less costs attributable to non-commercial zones	**(9,262)**	(9,090)	**(9,262)**	(9,090)
	158,072	161,300	**155,490**	159,660

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
9 Finance income and expense				
Recognised in profit or loss				
Interest income	**(1,902)**	(2,166)	**(1,902)**	(2,166)
Foreign exchange gains	**(121)**	(333)	**(121)**	(333)
Total finance income	**(2,023)**	(2,499)	**(2,023)**	(2,499)
Borrowing costs	**1,934**	2,287	**1,934**	2,287
Finance charge related to finance lease	**1,006**	1,019	**-**	-
Foreign exchange losses	**-**	-	**-**	-
Total finance expense	**2,940**	3,306	**1,934**	2,287
Net finance (income)/expense	**917**	807	**(89)**	(212)
10 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 general forest zone (productive native forest and plantation) – Forestry Tasmania	**(46,151)**	51,093	**(46,151)**	51,093
Gross increase/(decrease) in the valuation of plantation standing timber – GMO Softwood Joint Venture	**(20,409)**	4,450	**(20,409)**	4,450
Less current year plantation establishment costs and future crop expenditure (primarily contractor expenses) incurred during the financial year	**(8,070)**	(12,094)	**(8,070)**	(12,094)
Net impact on operating profit before income tax	**(74,630)**	43,449	**(74,630)**	43,449

The decrease in the valuation of Forestry Tasmania's general forest zone asset is due principally to the change in the valuation methodology noted above in note 2(l). This valuation methodology resulted in numerous changes to the assumptions including costs, prices, the woodflow projections and the discount rate used (a decrease from 9.0% to 8.1%). The impact of these valuation changes on the carrying values recognised in the Statement of Financial Position are detailed in note 16.

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 in the Statement of Comprehensive Income.

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
11 Taxation				
(a) Current tax expense/(income)				
Current tax	**(5,651)**	(1,091)	**(5,460)**	(1,091)
Adjustments for prior periods	**(797)**	(1,596)	**(796)**	(1,477)
(Increase)/decrease in deferred tax asset	**(69,811)**	(2,245)	**(65,836)**	(2,180)
Increase/(decrease) in deferred tax liability	**(57,333)**	17,258	**(61,500)**	17,197
Movement posted direct to equity	**17,844**	(363)	**17,844**	(387)
	(115,748)	11,963	**(115,748)**	12,062
Reconciliation of income tax to comprehensive income statement disclosures				
Income tax (expense)/benefit on profits before other items*	**4,009**	(2,784)	**3,867**	(3,015)
Income tax (expense)/benefit on other items	**111,739**	(9,179)	**111,881**	(9,047)
	115,748	(11,963)	**115,748**	(12,062)
(b) Reconciliation between tax expense and pre tax net profit				
Profit/(loss) before tax	**(379,630)**	44,249	**(379,631)**	44,913
Income tax expense/(income) using the domestic corporation tax rate of 30% (2009:30%)	**(113,889)**	13,275	**(113,889)**	13,474
Expenditure not allowable for income tax purposes	**7**	(65)	**7**	(65)
Investment allowance	**(488)**	(1,596)	**(488)**	(1,477)
Research and development	**(319)**	(1,596)	**(319)**	(1,477)
Less prior year under/over provision	**(797)**	(1,596)	**(797)**	(1,477)
Add non-temporary movement in superannuation investments	**(262)**	349	**(262)**	349
Income tax expense/(income) on pre tax net profit	**(115,748)**	8,771	**(115,748)**	9,327
(c) Deferred tax balances				
Assets				
Non-current	**125,317**	39,715	**124,368**	37,988
Liabilities				
Non-current	**97,850**	145,841	**97,843**	145,381

11 Taxation (continued)

(d) Reconciliation of deferred tax balances ($000)

Consolidated – 2010

	Opening balance	Under/Over	Charged to Statement of Comprehensive Income	Charged to equity	Closing balance
Deferred Tax Assets					
Employee benefits	**34,843**	-	3,872	-	**38,715**
Revenue received in advance	**2,007**	(5)	(412)		**1,590**
Other investments	**101**	2	262		**365**
Other provisions	**333**	-	81		**414**
Obligations for non-commercial zones	**-**	-	19,740		**19,740**
* Property, plant, equipment and land	**(28,237)**	(121)	67,176	17,844	**56,662**
Superannuation investment	**290**	111	(166)		**235**
Revenue losses	**2,141**	(196)	5,651	-	**7,596**
Total	**11,478**	**(209)**	**96,204**	**17,844**	**125,317**
Deferred Tax Liabilities					
Biological assets	**(114,777)**	(105)	19,964	-	**(94,918)**
Inventories	**(2,782)**		(42)	-	**(2,824)**
Property, plant, equipment and land	**-**	-	-	-	**-**
Superannuation investments	**-**			-	**-**
Other	**(45)**	1,112	(1,175)	-	**(108)**
Total	**(117,604)**	**1,007**	**18,747**	**-**	**(97,850)**
Net tax assets/(liabilities)	**(106,126)**	**798**	**114,951**	**17,844**	**27,467**

* Note: Property, plant, equipment and land for the prior year was reported as a Deferred Tax Liability of $28.237 million. As at 30 June 2010, Property, plant, equipment and land is reported as a Deferred Tax Asset of $56.662 million.

Consolidated – 2009

	Opening balance	Under/Over	Charged to Statement of Comprehensive Income	Charged to equity	Closing balance
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**
Obligations for non-commercial zones					**-**
Property, plant, equipment and land					**-**
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, equipment and land	**(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)**

11 Taxation (continued)

Parent Entity – 2010

	Opening balance	Under/Over	Charged to Statement of Comprehensive Income	Charged to equity	**Closing balance**
Deferred Tax Assets					
Employee benefits	**34,844**	-	3,872	-	**38,716**
Revenue received in advance	**384**	(5)	(322)	-	**58**
Other investments	**101**	2	262		**365**
Other provisions	**227**	-	103		**330**
Obligations for non-commercial zones	**-**	-	19,740		**19,740**
* Property, plant, equipment and land	**(27,599)**	14	67,070	17,844	**57,329**
Superannuation investment	**290**	111	(166)		**235**
Revenue losses	**2,142**	(198)	5,652	-	**7,596**
Total	**10,389**	(76)	96,211	17,844	**124,368**
Deferred Tax Liabilities					
Biological assets	**(114,777)**	(105)	19,963	-	**(94,919)**
Inventories	**(2,782)**	-	(42)	-	**(2,824)**
Property, plant, equipment and land	**-**	-	-	-	**-**
Superannuation investments	**-**	-	-	-	**-**
Investments in wholly owned subsidiaries	**(178)**	-	141	-	**(37)**
Other	**(45)**	1,112	(1,130)	-	**(63)**
Total	**(117,782)**	1,007	18,932	-	**(97,843)**
Net tax assets/(liabilities)	**(107,393)**	931	115,143	17,844	**26,525**

* Note: Property, plant, equipment and land for the prior year was reported as a Deferred Tax Liability of $27.599 million. As at 30 June 2010, Property, plant, equipment and land is reported as a Deferred Tax Asset of $57.329 million.

Parent Entity – 2009

	Opening balance	Under/Over	Charged to Statement of Comprehensive Income	Charged to equity	**Closing balance**
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**
Obligations for non-commercial zones					**-**
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, equipment and land	**(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)**

12 Dividends

Forestry Tasmania does not propose a dividend for the 2009/10 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*. In prior years, the dividend has been calculated on a formula agreed to by Forestry Tasmania, the Treasurer and the Minister.

No dividend was paid during the 2009/10 financial year in relation to 2008/09 results.

13 Cash and cash equivalents

	Consolidated		Parent Entity	
	2010 $'000	2009 $'000	2010 $'000	2009 $'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	**27,464**	34,991	**27,188**	34,803
Share of joint venture cash	**2,039**	1,963	**2,039**	1,963
Floats and advances	**43**	89	**43**	89
	29,546	37,043	**29,270**	36,855
(b) Reconciliation of comprehensive income/(expense) after tax to net cash flows from operations				
Comprehensive income after tax	**(305,669)**	33,214	**(305,670)**	33,026
Add/(less) items classified as investing/financing activities:				
(Profit)/loss on disposal of non-current assets	**53**	(195)	**53**	(195)
Interest on superannuation investment	**1,299**	-	**1,299**	-
Add/(less) non-cash items:				
Increase/(decrease) in asset revaluations	**41,787**	(1,289)	**41,787**	(1,289)
Gain on acquisition of subsidiary	**-**	-	**471**	729
Share of joint ventures (profit)/loss	**(2,662)**	(950)	**(2,662)**	(950)
Share of joint venture entities net (profit)/loss	**(135)**	15	**(135)**	15
Unrealised net forest (increment)/decrement	**66,560**	(55,543)	**66,560**	(55,543)
Unrealised obligation non-commercial zones (increment)/decrement	**65,800**	-	**65,800**	-
Depreciation and amortisation	**11,797**	14,279	**10,700**	13,182
Impairment	**218,934**	773	**218,934**	773
Interest on finance lease	**1,006**	1,019	**-**	-
Doubtful debts expense	**(1,256)**	(9)	**(976)**	(9)
Changes in assets and liabilities:				
Increase/(decrease) in deferred tax liabilities	**(47,991)**	16,084	**(47,538)**	16,023
(Increase)/decrease in deferred tax assets	**(85,602)**	(3,822)	**(86,380)**	(3,785)
(Increase)/decrease in current receivables	**(2,761)**	(4,984)	**(714)**	(5,174)
(Increase)/decrease in non-current receivables	**(55)**	38	**(2,151)**	-
(Increase)/decrease in inventories	**(1,405)**	(466)	**(1,405)**	(464)
(Increase)/decrease in other current assets	**307**	113	**307**	113
(Increase)/decrease in other non-current assets	**(135)**	15	**(135)**	15
Increase/(decrease) in current liabilities	**4,748**	(1,215)	**4,330**	(879)
Increase/(decrease) in non-current liabilities	**9,983**	(3,008)	**10,876**	(2,634)
Increase/(decrease) in current provisions	**(724)**	(10,657)	**(724)**	(10,657)
Increase/(decrease) in non-current provisions	**14,004**	19,903	**14,004**	19,903
Net cash provided by operating activities	**(12,117)**	3,315	**(13,369)**	2,199

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
14 Trade and other receivables				
Current				
Trade debtors	**32,814**	27,274	**32,346**	29,307
Less provision for impairment	**(1,265)**	(9)	**(985)**	(9)
Share of GMO JV receivables	**5,849**	2,912	**5,849**	2,912
Accrued revenue	**759**	404	**610**	404
Prepayments	**375**	682	**375**	682
GST refund	**8**	298	**17**	312
Total current receivables	**38,540**	31,561	**38,212**	33,608
Non-current				
Other	**67**	12	**3,713**	1,562
Total non-current receivables	**67**	12	**3,713**	1,562
15 Inventories				
Gravel stocks at cost	**3,359**	3,288	**3,359**	3,288
Seed and seedlings at cost	**5,725**	5,546	**5,725**	5,546
Timber at cost	**2,433**	1,101	**2,433**	1,101
Share of GMO JV timber at cost	**136**	177	**136**	177
Stores general at cost	**536**	713	**536**	713
	12,189	10,825	**12,189**	10,825
16 Biological assets				
Current				
Standing timber at valuation	**5,559**	23,864	**5,559**	23,864
Non-current				
Standing timber at valuation	**242,287**	270,133	**242,287**	270,133
GMO joint venture timber resource at valuation	**70,891**	91,300	**70,891**	91,300
	313,178	361,433	**313,178**	361,433
	318,737	385,297	**318,737**	385,297

Following the Sewall valuation, a new basis of determining the current asset has been determined (based on the first year of the discounted net cash flows). This has been applied for the first time in the year ended 30 June 2010.

	Consolidated	Parent
Reconciliation of biological assets ($000)	$'000	$'000
Carrying amount at 1 July 2009	385,297	385,297
Additions (note 10)	8,070	8,070
Reallocation to Statement of Comprehensive Income (note 10)	(8,070)	(8,070)
Work in progress	-	
Revaluation/(devaluation):	(66,560)	(66,560)
Carrying amount at 30 June 2010	**318,737**	**318,737**
Carrying amount at 1 July 2008	329,755	329,755
Additions (note 10)	12,094	12,094
Reallocation to Statement of Comprehensive Income (note 10)	(12,094)	(12,094)
Work in progress	550	550
Revaluation/(devaluation):	54,992	54,992
Carrying amount at 30 June 2009	**385,297**	**385,297**

Commitments associated with the development of biological assets

As noted in note 2(e) funds have been received in advance under the TCFA, which is an agreement signed by the State and Commonwealth to supplement the provisions of the Regional Forest Agreement (RFA). All TCFA funds have been received by Forestry Tasmania and will be used for the establishment of additional, and improvement of existing, hardwood plantations to compensate for the loss of sustainable forest due to the creation of additional conservation reserves. As at 30 June 2010, there remains $15 million of works to be acquitted against the TCFA intensive forest management program.

17 Forest estate assets

	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Land at fair value (deemed cost in 2009)	**-**	277,127	**-**	277,127
Roads and road structures at cost	**256,895**	250,245	**256,895**	250,245
Less provision for depreciation of roads	**(142,241)**	(134,950)	**(142,241)**	(134,950)
	114,654	392,422	**114,654**	392,422

Reconciliation of forest estate assets ($000)	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 2009	277,127	115,295	392,422	277,127	115,295	392,422
Additions	-	10,069	10,069	-	10,069	10,069
Disposal/reallocation	(2)	(3,018)	(3,020)	(2)	(3,018)	(3,020)
Net movement in work in progress	-	(402)	(402)	-	(402)	(402)
Impairment devaluation through Statement of Comprehensive Income	(217,198)	-	(217,198)	(217,198)	-	(217,198)
Impairment devaluation through Statement of Comprehensive Income	(59,926)	-	(59,926)	(59,926)	-	(59,926)
Depreciation	-	(7,290)	(7,290)		(7,290)	(7,290)
Carrying amount at 30 June 2010	**0**	**114,654**	**114,654**	**0**	**114,654**	**114,654**
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)
Impairment	-	-	-	-	-	-
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**

The independent valuation conducted by Sewall determined that no positive 'commercial in use' value could be attributed to forest land given the constraints applied under the Forestry Act. In addition, title for this land rests with the Crown, not with Forestry Tasmania. Based on this information, the Directors have impaired the forest land asset to a zero carrying value as at 30 June 2010. (See note 2(l)(iii))

	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
18 Property, plant and equipment				
Land under buildings at fair value	**2,488**	1,495	**2,148**	1,155
Buildings at fair value	**11,262**	19,608	**11,262**	19,608
Transmission line asset at fair value	**14,811**	14,811	**-**	-
Plant and equipment at cost	**20,442**	22,462	**20,442**	22,462
Site infrastructure at cost	**6,886**	6,886	**-**	-
Pre-development works at cost	**3,405**	3,405	**-**	-
Capital work in progress	**1,187**	3,062	**1,187**	3,062
Less accumulated depreciation	**(12,385)**	(13,254)	**(8,835)**	(10,802)
Less accumulated impairment losses	**(1,711)**	-	**(1,711)**	-
Total property, plant and equipment	**46,385**	58,475	**24,493**	35,485

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. Subsequent movements in these assets by applying the Capital Value Adjustment Factors obtained from the office of the Valuer General.

Reconciliation of property, plant and equipment assets ($000)

Consolidated

	Land $'000	Buildings $'000	Trans-mission line $'000	Plant & equipment $'000	Site infra-structure works $'000	Pre-develop-ment costs $'000	Capital work in progress $'000	Total $'000
Carrying amount at 1 July 2009	1,495	19,529	13,576	11,740	6,023	3,050	3,062	58,475
Additions	480	1,753	-	2,176	-	-	4,213	8,622
Transfers	-	-	-	-	-	-	-	-
Disposals	(10)	(62)	-	(6,161)	-	-	(6)	(6,239)
Reallocation	-	-	-	(74)	-	-	(8)	(82)
Revaluation	523	157	-	-	-	-	-	680
Impairment	-	-	-	(1,535)	-	-	-	(1,535)
Movement in work in progress	-	(1,015)	-	(9)	-	-	(6,498)	(7,522)
Depreciation	-	(2,212)	(592)	(2,705)	(335)	(170)	-	(6,014)
Carrying amount at 30 June 2010	**2,488**	**18,150**	**12,984**	**3,432**	**5,688**	**2,880**	**763**	**46,385**
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	-	3,618	-	-	(4,003)	4
Depreciation	-	(2,754)	(643)	(2,108)	(533)	76	-	(5,962)
Carrying amount at 30 June 2009	**1,495**	**19,529**	**13,576**	**11,740**	**6,023**	**3,050**	**3,062**	**58,475**
Original cost of assets at 30 June 2010	**2,276**	**26,644**	**14,811**	**25,599**	**6,868**	**3,405**		**69,330**

Forestry Tasmania

18 Property, plant and equipment (continued)

	Land	Buildings	Trans-mission line	Plant & equipment	Site infra-structure works	Pre-develop-ment costs	Capital work in progress	Total
								Parent Entity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2009	1,155	19,529	-	11,739	-	-	3,062	35,485
Additions	480	1,753	-	2,176	-	-	4,213	8,622
Transfers	-	(6,928)	-	6,503	-	-	425	-
Disposals	(10)	(62)	-	(6,161)	-	-	(6)	(6,239)
Reallocation	-	-	-	(74)	-	-	(8)	(82)
Revaluation	523	157	-	-	-	-	-	680
Impairment	-		-	(1,535)	-	-	-	(1,535)
Movement in work in progress	-	(1,015)	-	(8)	-	-	(6,498)	(7,521)
Depreciation	-	(2,212)	-	(2,705)	-	-	-	(4,917)
Carrying amount at 30 June 2010	**2,148**	**11,222**	**-**	**9,935**	**-**	**-**	**1,188**	**24,493**
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	-	3,618	-	-	(4,003)	4
Depreciation	-	(2,754)	-	(2,108)	-	-	-	(4,862)
Carrying amount at 30 June 2009	**1,155**	**19,529**	**-**	**11,739**	**-**	**-**	**3,062**	**35,485**
Original cost of assets at 30 June 2010	**1,936**	**26,644**	**-**	**25,599**	**-**	**-**		**54,179**

Impairment of assets

Forestry Tasmania has completed impairment testing of its property, plant and equipment assets. In calculating the recoverable amount of the Huon Merchandiser Yard, it was determined that the carrying amount was higher than the recoverable amount and an impairment loss of $1.536 million (2009: $0.773 million for Tarkine Forest Adventure tourism site) has been recognised in the profit and loss. Debit balances in the building revaluation reserve have been reallocated to the Statement of Comprehensive Income as an impairment loss of $0.200 million. The combined total for asset impairment is $1.736 million (2009: $0.773 million).

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 2010/11 budget forecasts and projected over a 10-year period.

b) Revenues were projected on an increase of 2.00% per annum (2009: 0.0%) with CPI increases in operating costs being offset by efficiency gains (2009: 0.89%).

c) The discount rates used was 8.77% (2009: 9.69%), which is a pre-tax real rate.

	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
19 Intangible assets				
Forestry Tasmania's intangible assets relate to the development costs of internally produced software.				
Software development	**2,815**	3,034	**2,815**	3,034
Capital work in progress	**11**	27	**11**	27
Less provision for amortisation	**(2,500)**	(2,500)	**(2,500)**	(2,500)
	326	560	**326**	560

	Consolidated Software $000	Consolidated Work in Progress $'000	Consolidated Total $'000	Parent Entity Software $000	Parent Entity Work in Progress $'000	Parent Entity Total $'000
Carrying amount at 1 July 2009	534	26	560	534	26	560
Additions	81	91	172	81	91	172
Disposal/reallocation	-	-	-		-	-
Net movement in work in progress	-	(106)	(106)	-	(106)	(106)
Amortisation	(300)	-	(300)	(300)		(300)
Carrying amount at 30 June 2010	**315**	**11**	**326**	**315**	**11**	**326**
Carrying amount at 1 July 2008	220	87	935	848	87	935
Additions – internally developed	-	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	**(94)**	**26**	**560**	**534**	**26**	**560**

	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
20 Investments accounted for using the equity method				
Joint venture entities (see note 32)	**351**	216	**351**	216
21 Other investments				
Investment in Ta Ann Tasmania	**400**	400	**400**	400
Investment in infrastructure assets – Eco Centre trust	**570**	570	**570**	570
Investment in subsidiary companies	**-**	-	**260**	731
Superannuation investment	**13,666**	12,280	**13,666**	12,280
	14,636	13,250	**14,896**	13,981
Reconciliation of superannuation investment account ($000)				
Opening balance 1 July 2009	**12,280**	14,381	**12,280**	14,381
Payment of benefits	**-**	-	**-**	-
Earnings on cash investments	**87**	116	**87**	116
Movement in fair value	**1,299**	(2,217)	**1,299**	(2,217)
Closing balance 30 June 2010	**13,666**	12,280	**13,666**	12,280

There were no movements in the other investments during the current and previous year.

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
22 Trade and other payables				
Current				
Trade creditors	**11,589**	10,891	**11,531**	10,948
Share of GMO JV payables	**1,633**	1,393	**1,633**	1,393
Accrued expenses	**7,108**	5,165	**6,890**	5,249
Total current payables	**20,330**	17,449	**20,054**	17,590
Non-current				
Trade creditors	**10**	10	**442**	-
	10	10	**442**	-
23 Revenue received in advance				
Current	**14,191**	20,154	**13,989**	**19,953**
Non-current	**45,775**	35,792	**38,354**	**27,920**
	59,966	55,946	**52,343**	**47,873**

The basis of allocation between current and non-current has been restated to more accurately reflect the planned annual expenditure of TCFA funds. There was no change for the 2008 reporting year. A third balance sheet has not been presented as these changes are not considered material in the context of Forestry Tasmania's balance sheet.

	Consolidated			Parent Entity		
			Restated			Restated
	2010	2009	2008	2010	2009	2008
	$000	$'000	$'000	$000	$'000	$'000
Current	14,191	20,154	18,798	13,989	19,953	18,649
Non-current	45,775	35,792	11,853	38,354	27,920	3,607
	59,966	55,946	30,651	52,343	47,873	22,256

Refer to note 2(e) for further details of the nature and extent of TCFA funds received in advance recognised in the financial statements. Total TCFA funds treated as revenue received in advance as at 30 June 2010 is $51.753 million (2009: $45.865 million).

24 Interest-bearing liabilities

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Current				
Borrowings	**19,800**	19,800	**19,800**	19,800
Finance lease	**179**	164	**-**	-
	19,979	19,964	**19,800**	19,800
Non-current				
Borrowings	**21,000**	21,000	**21,000**	21,000
Finance lease	**11,706**	11,885	**-**	-
Total	**32,706**	32,885	**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	**-**	-	**-**	-
Loan facility – secured	**45,000**	45,000	**45,000**	45,000
	45,800	45,800	**45,800**	45,800
Facilities used at balance date:				
Credit cards	**69**	99	**69**	99
Foreign currency dealing limit	**-**	-	**-**	-
Loan facility – secured	**21,000**	40,800	**21,000**	40,800
	21,069	40,899	**21,069**	40,899
Facilities not utilised at balance date:				
Credit cards	**731**	701	**731**	701
Foreign currency dealing limit	**-**	-	**-**	-
Loan facility – secured	**24,000**	4,200	**24,000**	4,200
	24,731	4,901	**24,731**	4,901

Credit Cards

The full amount payable on credit cards is included in current liabilities as this is payable within 31 days before interest is charged. After this date the payable bears interest at 17.74% (2009:16.27%), payable monthly.

Foreign Currency Overdraft Limit

Forestry Tasmania has a US$2.0 million foreign currency overdraft to facilitate foreign currency dealings (2009: $520,000).

Loan Facility – Secured

Forestry Tasmania has long-term fixed borrowings of $21.0 million (2009: $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. Refer to note 17 for the carrying amount of debtors, which Forestry Tasmania has pledged as security.

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 twelve month period are classified as current.

Forestry Tasmania is currently in breach of a lending covenant related to its debt to capital/leverage ratio. Tascorp has advised they have waived this breach whilst a Letter of Comfort provided by the Treasurer remains in place. The Treasurer has provided support by way of a Letter of Comfort to Tascorp whilst revised arrangements are being negotiated. There is currently no intent for Forestry Tasmania to undertake new borrowings or for any change in repayment arrangements.

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% per annum.

	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
25 Obligations for non-commercial zones				
Current	**5,354**	-	**5,354**	-
Non-current	**60,446**	-	**60,446**	-
	65,800	-	**65,800**	-

Identified costs and revenues associated with formal reserves and special timbers zones were analysed by Sewall as part of its valuation project. These two zones are together referred to as 'non-commercial zones'. Sewall's discounted cashflow analysis determined an 'Obligation Liability' based on the net costs incurred by Forestry Tasmania in maintaining these zones in accordance with the Forestry Act. The Directors have recognised this liability for the first time in preparing the accounts for 30 June 2010.

	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Reconciliation of movements in obligation ($000)				
Opening balance 1 July 2009	**-**	-	**-**	-
Increase	**65,800**	-	**65,800**	-
Closing balance 30 June 2010	**65,800**	-	**65,800**	-

	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
26 Employee benefits				
Current				
Annual leave	**1,269**	1,546	**1,269**	1,546
Long service leave	**3,141**	3,386	**3,141**	3,386
Superannuation (see note below)	**4,187**	4,685	**4,187**	4,685
Workers compensation	**1,130**	834	**1,130**	834
	9,727	**10,451**	**9,727**	**10,451**
Non-current				
Long service leave	**1,080**	**914**	**1,080**	**914**
Superannuation (see note below)	**118,228**	**104,390**	**118,228**	**104,390**
Workers compensation	**-**	-	**-**	-
	119,308	**105,304**	**119,308**	**105,304**
Information in this note applies equally to the consolidated and parent entity.				
Assumed rate of increase in wages and salaries rates			**4.5%**	**1.0%**
Discount rate used in the calculation of the long service leave provision			**5.35%**	**5.65%**
Settlement terms (years) – long service leave			**10-15 years**	**10-15 years**

26 Employee benefits (continued)

(a) Superannuation liability

	2010 $'000	2009 $'000
Key assumptions		
Discount rate:		
Gross of tax	**5.80%**	5.80%
Net of tax	**5.70%**	5.70%
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 classes in which the Plan invests.		
Plan assets – Asset disclosure		
Australian equities	**26.00%**	20.00%
Overseas equities	**22.00%**	13.00%
Fixed interest securities	**12.00%**	11.00%
Property and infrastructure	**20.00%**	31.00%
Alternatives	**14.00%**	19.00%
Other	**6.00%**	6.00%
Balance sheet results – Net liability		
Defined benefit obligation	**155,728**	141,647
Contributions tax liability	**-**	-
Total defined benefit obligations	**155,728**	141,647
RBF contributory scheme assets	**(33,313)**	(32,572)
Total net liability	**122,415**	109,075
Current net liability	**4,187**	4,685
Non current net liability	**118,228**	104,390
Total net liability	**122,415**	109,075
Movement in net liability		
Net liability/(asset) in balance sheet at end of prior year	**109,075**	99,489
Expense recognised in Comprehensive Income Statement	**19,404**	14,950
Actual employer contributions	**(6,064)**	(5,365)
Net liability/(asset) in balance sheet at end of year	**122,415**	109,074
Profit and loss results		
Employer service cost	**2,622**	2,683
Contribution tax expense	**-**	418
Total employer service cost	**2,622**	3,101
Interest cost	**7,894**	7,573
Expected return on plan assets	**(2,243)**	(2,400)
Recognised actuarial (gains)/losses	**11,131**	6,675
Expense recognised in Comprehensive Income Statement (Refer note 8d)	**19,404**	14,950

Movement in the employee benefits is recognised in the Statement of Comprehensive Income against the line item '(Increase)/decrease in unfunded superannuation liability'.

26 Employee benefits (continued)

	2010 $'000	2009 $'000
Reconciliations		
Changes in the fair value of plan assets		
Fair value of plan assets at end of prior year	**32,572**	34,603
Estimated employer contributions	**6,064**	5,365
Estimated participant contributions	**868**	931
Estimated operating costs	**(310)**	(343)
Estimated benefit payments	**(8,161)**	(6,596)
Expected return on assets	**2,243**	2,400
Actuarial (gain)/losses	**37**	(3,787)
Fair value plan assets at year end	**33,313**	32,573
Changes in the defined benefit obligation (inclusive of contributions tax for disclosure purposes)		
Defined benefit obligations at end of prior year	**141,647**	134,092
Employer service cost	**2,622**	3,101
Interest cost	**7,894**	7,573
Actual participant contributions	**868**	931
Actual operating costs	**(310)**	(343)
Actual benefit payments contributions tax	**(8,161)**	(6,596)
Expected defined benefit obligations at year end	**144,560**	138,758
Actuarial (gain)/losses	**11,168**	2,888
Actual total defined benefit obligations at year end	**155,728**	141,646
Changes in the defined benefit obligation (exclusive of contributions tax for disclosure purposes)		
Defined benefit obligations at end of prior year	**141,646**	119,810
Employer service cost	**2,622**	2,683
Interest cost	**7,894**	7,573
Actual participant contributions	**868**	931
Actual operating costs	**(310)**	(343)
Actual benefit payments contributions tax	**(8,161)**	(6,596)
Expected defined benefit obligations at year end	**144,559**	124,058
Actuarial (gain)/losses	**11,168**	17,588
Actual defined benefit obligations at year end	**155,728**	141,646
Contributions tax		
Defined benefit obligations at end of prior year	**155,728**	119,810
Fair value plan assets at end of prior year	**(33,313)**	(34,603)
Net obligation	**122,415**	85,207
Contributions tax at end of prior year	**1**	14,283
Contributions tax expense	**-**	418
Expected contributions tax at year end	**1**	14,701
Actuarial (gain)/loss on contributions tax	**-**	(14,700)
Actual contributions tax at year end	**1**	1

26 Employee benefits (continued)

	2010 $'000	2009 $'000
Reconciliation of actuarial (gain)/loss		
Unrecognised unactuarial (gain)/loss at end of prior year	**-**	-
Actuarial (gain)/loss on assets	**(37)**	3,787
Actuarial (gain)/loss on liabilities	**11,168**	17,588
Actuarial (gain)/loss on contributions tax	**-**	(14,700)
Amount recognised during year in Comprehensive Income Statement	**(11,130)**	(6,674)
Unrecognised actuarial (gain)/loss at end of year	**-**	-
Interest cost		
Defined benefit obligations at end of prior year	**141,646**	119,810
Actual benefit payments	**6,305**	6,596
Weighted for timing	**(3,153)**	(3,298)
Average benefit obligations	**138,493**	116,512
Discount rate	**5.7%**	6.5%
Calculated interest cost	**7,894**	7,573
Interest cost used in calculation	**7,894**	7,573
Expected return on assets		
Fair value of plan assets at end of prior year	**32,572**	34,603
Actual employer contributions	**4,685**	5,365
Weighted for timing	**2,343**	2,683
Actual participant contributions	**868**	931
Weighted for timing	**434**	466
Actual operating costs	**(310)**	(343)
Weighted for timing	**(155)**	(172)
Actual benefit payments	**(6,305)**	(6,596)
Weighted for timing	**(3,153)**	(3,298)
Average expected assets	**32,041**	34,282
Assumed rate of return	**7.0%**	7.0%
Calculated expected return on assets	**2,243**	2,400
Expected return on assets used in calculation	**2,243**	2,400
Net liability/(asset) at year end		
Actual defined benefit obligations at year end	**155,728**	141,646
Actual contributions tax at year end	**1**	1
Total defined benefit obligation at year end	**155,729**	141,647
Actual assets at year end	**(33,313)**	(32,572)
Deficit/(surplus)	**122,416**	109,075
Unrecognised past service cost	**-**	-
Unrecognised net (gain)/loss	**-**	-
Net liability/(asset)	**122,416**	109,075

History

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

	30 June 2010	30 June 2009	30 June 2008	30 June 2007	30 June 2006
Total defined benefit obligation at year end	**155,728**	141,647	134,093	139,662	121,974
Actual assets at year end	**(33,313)**	(32,572)	(34,603)	(38,470)	(33,866)
Deficit/(Surplus)	**122,415**	109,075	99,490	101,192	88,108
Experience adjustment on liabilities	**1,112**	3,938	(516)	(356)	1,221
Experience adjustment on assets	**(37)**	3,787	(5,333)	(3,144)	(1,628)

27 Expenditure commitments

	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Operating expenditure commitments				
(a) Operating leases				
Leases as lessee				
Non-cancellable operating lease rentals are payable as follows:				
Not longer than one year	**2,728**	2,321	**2,728**	2,321
Longer than one year but not longer than five years	**12,566**	8,630	**12,566**	8,630
Later than five years	**14,480**	-	**14,480**	-
	29,774	10,951	**29,774**	10,951

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			Parent Entity		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
2010						
Not longer than one year	1,170	992	179	-	-	-
Between one and five years	4,681	3,796	885	-	-	-
Later than five years	20,966	10,144	10,821	-	-	-
	26,817	**14,932**	**11,885**	**-**	**-**	**-**
2009						
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**	**-**	**-**	**-**

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.

	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
(c) Capital expenditure commitments				
Plantation establishment				
Not longer than one year	**9,438**	9,165	**9,438**	9,165
Between one and five years	**28,000**	28,000	**28,000**	28,000
Later than five years	**5,121**	3,943	**5,121**	3,943
	42,559	41,108	**42,559**	41,108
Road construction				
Not longer than one year	**258**	746	**258**	746
Construction contracts				
Not longer than one year	**4**	130	**4**	130

28 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 2010.

29 Controlled entities

	Country of incorporation	Percentage of Shares 2010	Percentage of Shares 2009
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%

All of the above entities are consolidated and form part of the Consolidated Entity. Forestry Tasmania is an entity that is 100% owned by the Crown of Tasmania.

30 Related party information

	Sales to related parties		Purchases from related parties		Amounts owed by related parties		Amounts owed to related parties	
	2010	2009	2010	2009	2010	2009	2010	2009
Consolidated								
Softwood joint venture	5,982	2,997	-	-	12	1387	-	-
Hollybank Treetops Adventure Pty Ltd	-	-	-	-	225	386	-	-
Parent								
Softwood joint venture	5,982	2,997	-	-	12	1,387	-	-
Hollybank Treetops Adventure Pty Ltd	-	-	-	-	225	386	-	-
Newood Holdings Pty Ltd	70	192	110	108	2,977	2,978	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.

31 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 16.

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	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Current assets				
Cash	**2,039**	1,963	**2,039**	1,963
Receivables	**5,849**	2,912	**5,849**	2,912
Inventories	**136**	177	**136**	177
Total current assets	**8,024**	5,052	**8,024**	5,052
Non-current assets				
Biological assets	**70,891**	110,923	**70,891**	110,923
Total non-current assets	**70,891**	110,923	**70,891**	110,923
Total assets	**78,915**	115,975	**78,915**	115,975
Current liabilities				
Payables	**1,633**	1,393	**1,633**	1,393
Total current liabilities	**1,633**	1,393	**1,633**	1,393
Total liabilities	**1,633**	1,393	**1,633**	1,393

32 Investments accounted for using the equity method

Forestry Tasmania owns 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	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
(a) Results of joint venture entities				
Revenues from ordinary activities	**590**	414	**590**	414
Expenses from ordinary activities	**(455)**	(429)	**(455)**	(429)
Profit/(loss) from ordinary activities	**135**	(15)	**135**	(15)
Income tax expense relating to ordinary activities	**-**	-	**-**	-
Net profit/(loss) – accounted for using the equity method	**135**	(15)	**135**	(15)
(b) Statement of financial position				
Current assets	**96**	59	**96**	59
Non-current assets	**436**	423	**436**	423
Total assets	**532**	482	**532**	482
Current liabilities	**(19)**	(25)	**(19)**	(25)
Non-current liabilities	**(162)**	(241)	**(162)**	(241)
Total liabilities	**(181)**	(266)	**(181)**	(266)
Net assets	**351**	216	**351**	216
(c) Reconciliations				
Share of post-acquisition retained profits attributable to joint venture entities				
Share of joint venture entities' retained losses at beginning of year	**(244)**	(248)	**(244)**	(248)
Share of joint venture entities' net profit/(losses)	**379**	233	**379**	233
Share of joint venture entities' retained profit/(losses) at end of year	**135**	(15)	**135**	(15)
Movement in carrying amount of joint ventures				
Carrying amount at beginning of year	**216**	231	**216**	231
Investment in joint ventures acquired during the year	**-**	-		
Share of joint venture entities' net profits/(losses)	**135**	(15)	**135**	(15)
Carrying amount at end of year	**351**	216	**351**	216

33 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 (9 members: 2010) (8 members: 2009). 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		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Short-term employee benefits	**2,033**	1,905	**2,033**	**1,905**
Post-employment benefits	**197**	183	**197**	**183**
Other long-term employee benefits	**31**	28	**31**	**28**
Total	**2,261**	2,116	**2,261**	**2,116**

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 chaired the Giant Trees Consultative Committee during 2009/10. During 2009/10 Dr Elliott was paid $1,500 (2009: $27,790). As at the reporting date there were no balances outstanding (2009: $nil).

34 Auditors' remuneration

	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Amounts paid and payable to the Tasmanian Audit Office for auditing the financial statements of Forestry Tasmania	**107**	133	**107**	122
Amounts paid and payable to other service providers for internal and other regulatory audit services	**190**	146	**190**	146

35 Events subsequent to balance date

There are no reported events subsequent to balance date.

36 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 24, the unfunded superannuation liability disclosed in note 26, cash and cash equivalents and the superannuation investment disclosed in note 21.

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

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
(b) Categories of financial instruments					
Financial assets					
Fair value through profit or loss	21	**14,236**	12,850	**14,496**	13,581
Held to maturity investments		**-**	-	**-**	-
Loans and receivables	14	**38,607**	31,573	**41,925**	35,170
Available for sale financial assets	21	**400**	400	**400**	400
Cash and cash equivalents	13(a)	**29,546**	37,043	**29,270**	36,855
Financial liabilities					
Fair value through profit or loss		**-**	-	**-**	-
Financial liabilities measured at amortised cost		**(72,846)**	(70,308)	**(61,296)**	(58,390)

(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:		2010 $'000	2009 $'000
Cash	17	**29,546**	37,043
Trade and other receivables	18	**38,607**	31,573
Other financial assets	26	**14,636**	13,250
Total financial assets		**82,789**	81,866

36 Financial instruments disclosure (continued)

Trade receivables

Forestry Tasmania's principal credit risk arises from non-payment by debtors. Forestry Tasmania's credit policy expects that 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 higher 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
	2010 $'000				2009 $'000			
	Not past due	Past due			Not past due	Past due		
	Current	30 days	60 days	90 days plus	Current	30 days	60 days	90 days plus
Forest sales	**8,898**	**12,343**	**1,496**	**3,504**	11294	6141	2664	2332
General debtors	**2,180**	**1,850**	**25**	**1,253**	1724	2364	295	460
Total	**11,078**	**14,193**	**1,521**	**4,757**	13,018	8,505	2,959	2,792

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.

	Consolidated		Parent Entity	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Balance as at 1 July	**(9)**	-	**(9)**	-
Recovery of prior year impairments	**-**	-	**-**	-
Impairment loss recognised	**(1,256)**	(9)	**(976)**	(9)
Balance as at 30 June	**(1,265)**	(9)	**(985)**	(9)

36 Financial instruments disclosure (continued)

(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 $'000
	Weighted average interest rate	Less than 1 month	1-12 months	1-2 years	2-5 years	More than 5 years
2010						
Trade and other payables	0.00%	20,330	-	-	-	10
Finance lease liability	8.40%	-	179	405	751	10,550
Interest bearing liabilities – variable	4.25%	19,979	-	-	-	-
Interest bearing liabilities – fixed	5.98%	-	-	10,000	-	11,000
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

						Parent Equity $'000
	Weighted average interest rate	Less than 1 month	1-12 months	1-2 years	2-5 years	More than 5 years
2010						
Trade and other payables	0.00%	20,054	-	-	-	-
Interest bearing liabilities – variable	4.25%	19,800	-	-	-	-
Interest bearing liabilities – fixed	5.98%	-	-	10,000	-	11,000
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

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 relating to interest bearing liabilities.

36 Financial instruments disclosure (continued)

(e) Market risk

	Consolidated $'000				Parent Entity $'000			
	2010		2009		2010		2009	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Available for sale financial assets	400	400	400	400	400	400	800	800
Held to maturity investments	-	-	-	-	-	-	-	-
Financial assets designated at fair value through profit or loss	14,636	14,636	13,250	13,250	14,896	14,896	13,981	13,981
Loans and receivables	38,607	38,607	31,573	31,573	41,925	41,925	35,170	35,170
Cash and cash equivalents	29,546	29,546	37,043	37,043	29,270	29,270	36,855	36,855
Trade and other payables	(20,340)	(20,340)	(17,459)	(17,459)	(20,496)	(20,496)	(17,590)	(17,590)
Finance lease liability	(11,885)	(11,885)	(12,049)	(12,049)	-	-	-	-
Interest bearing liabilities – variable	(19,800)	(19,800)	(19,800)	(19,800)	(19,800)	(19,800)	(19,800)	(19,800)
Interest bearing liabilities – fixed	(20,821)	(20,821)	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)
Total	**9,943**	**9,943**	**11,558**	**11,558**	**24,795**	**24,795**	**27,616**	**27,616**

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 2010, there were A$6.949 million of foreign currency risk management instruments forward exchange contracts in place (2009: A$nil).

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 2010 was US$1.482 million (2009: US$4.375 million) of which US$1.482 million (2009: US$4.375 million) is impacted by a movement in exchange rates, as this value is not covered under a forward exchange contract.
A change of 100 basis points in the exchange rate at 30 June would have a gain or loss of A$20,000 (2009: gain/loss of A$67,000).

Investments

Forestry Tasmania has funds in an investment portfolio that 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 2009/10 were +11% (2009: -15%). If the average earnings of the portfolio had decreased by -13% (2009: -17%), the impact to the asset and profit and loss would have been an additional increase in interest income of $0.245 million (2009: decrease in interest income of $0.287 million). Conversely, if the average earnings of the portfolio had increased by +9% (2009: -13%), the impact on the income statement would have been a decrease of $0.245 million (2009: increase of $0.287 million).

Interest bearing liabilities – variable

Borrowings undertaken by the Organisation are in a variable and fixed interest portfolio. The average variable interest rate was 4.42% (2009: 3.75%). If the annual average variable interest rate increased to 5.42% (2009: 4.75%), the impact to the profit and loss would have been an additional decrease in profit of $0.090 million (2009: decrease in profit of $0.198 million). Conversely, if the interest rate decreased to 3.75% (2009: 2.75%), the impact to the profit and loss would have been an additional increase in profit of $0.090 million (2009: increase in profit of $0.198 million).

36 Financial instruments disclosure (continued)

(f) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs); quoted prices (unadjusted) in active markets for identical assets or liabilities

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Consolidated				
30 June 2010				-
Financial assets designated at fair value through profit or loss	13,666	-	-	13,666
Financial assets held for trading	-	-	-	-
Derivative financial assets	-	-	-	-
	13,666	-	-	13,666
Derivative financial liabilities	-	-	-	
	13,666	-	-	13,666
30 June 2009				
Financial assets designated at fair value through profit or loss	12,280	-	-	12,280
Financial assets held for trading	-	-	-	-
Derivative financial assets	-	-	-	-
	12,280	-	-	12,280
Derivative financial liabilities	-	-	-	
	12,280	-	-	12,280
Parent Entity				
30 June 2010				
Financial assets designated at fair value through profit or loss	13,666	-	-	13,666
Financial assets held for trading	-	-	-	-
Derivative financial assets	-	-	-	-
	13,666	-	-	13,666
Derivative financial liabilities	-	-	-	
	13,666	-	-	13,666
30 June 2009				
Financial assets designated at fair value through profit or loss	12,280	-	-	12,280
Financial assets held for trading	-	-	-	-
Derivative financial assets	-	-	-	-
	12,280	-	-	12,280
Derivative financial liabilities	-	-	-	
	12,280	-	-	12,280

During the year there were no financial assets or liabilities that transferred from one fair value category to another.

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 2009-10 financial year and the financial position as at 30 June 2010 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 2009-10 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 2009-10 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 2009-10 financial year give a true and fair view.

Signed in accordance with a resolution of the directors.

…………………………………
Adrian Kloeden
Chairman
August 2010

…………………………………..
Robert L Gordon
Managing Director
August 2010

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 2010

Report on the Financial Report

I have audited the accompanying financial report of Forestry Tasmania (Forestry), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, 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

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policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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 11 August 2010 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 2010, 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
13 August 2010

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auditor's INDEPENDENCE DECLARATION

Tasmanian Audit Office

STRIVE | LEAD | EXCEL | TO MAKE A DIFFERENCE

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Enquiries: Mike Blake
Email: Mike.Blake@audit.tas.gov.au

Our Reference: TAO10/65
Your Reference:

August 2010

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 2010, 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.

Monthly reports on operations and finance are supplied to the Board about the outputs of the Organisation. This is 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

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 – until 17 August 2010

The following is also noted in respect to the Board:

• 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.

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.

board COMMITTEES

The Board of Directors holds special *ad hoc* meetings as required, and has four sub-committees. Board sub-committees are governed by individual charters and membership is based on expertise. 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	15	15	5	4			5	5	6	6
H Elliott	Nov 2001	15	12			4	4			6	6
D Radford	Jul 2003	15	14					5	5	6	4
G Coffey	Jul 2007	15	13	5	5			5	5	6	5
M Hampton	Jul 2007	15	15	5	5	4	4			6	6
R Gordon	Jan 2007	15	15	5	5	4	4	5	5		

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

A Statement of Corporate Intent is prepared pursuant to Section 41 of the *Government Business Enterprises Act 1995* which summarises the key elements of Forestry Tasmania's most recent 2010-2013 Corporate Plan. In respect to this, it is important to note that the Board and senior management of Forestry Tasmania:

- Regularly reviews the major strategic matters affecting Forestry Tasmania
- Understands that FT is a GBE that is significantly exposed to world markets
- Is able to and does respond to changed market and customer environments
- Regularly communicates with the Stakeholder Ministers and their appointed shareholder representatives

In respect to 20010/11, the key elements of the Statement of Corporate Intent are as follows:

The business and its strategic directions

Core Business

The core business of Forestry Tasmania is the sustainable production and delivery of forest products and services for optimum community benefit. Forestry Tasmania manages 1.5 million hectares of state forest and is responsible for the regeneration and management of the forests for multiple uses.

Strategic Direction

FT aims to balance environmental, social and economic sustainability. Forestry Tasmania has identified four key focus areas for its strategic direction, which support achievement of its Corporate Objectives. The four focus areas are:

- Sustainable forest management
- Responsible financial management
- Stakeholder engagement
- Leverage commercial opportunities from existing assets and skills

Key strategic initiatives include export market growth; improvements to technology and knowledge sharing; review of tourism business model; review of organisational structures; forest and wood products certification schemes; clarification of community service obligations and non-commercial activities; review of procurement strategies; identifying and evaluating new business opportunities; further recruitment and review of succession planning.

legislative AND POLICY COMPLIANCE

Community Service Obligations

Forestry Tasmania is required to deliver a number of community service obligations (CSOs) in accordance with the *Forestry Act 1920*, which are currently not subject to separate funding arrangements. There are also a variety of activities that Forestry Tasmania undertakes that reflect its public ownership, the constraints and/or requirements of the Forestry Act, and its commitment to long-term sustainability. In our view, these activities are unlikely to be undertaken by a privately owned entity with a focus on short-term profit and share value. These are discussed in detail in the Stewardship Report; however, they broadly include:

- Conservation of flora, fauna, land forms and cultural heritage
- Management of forest reserves for conservation including costs related to pest, disease and fire control and weed management activities
- Provision and maintenance of forest roads and other facilities for public access in both productive and non-productive forests for recreation and tourism, including walking tracks, picnic sites and other related infrastructure
- Provision of public information and education programs
- Provision of fire protection measures in accordance with the State Fire Management protocol
- Assistance to a range of industry economic development activities that are beyond Forestry Tasmania's direct commercial mandate and which provide the basis for value-added benefits for the State.

The costs incurred in undertaking these activities are carried by Forestry Tasmania and so reduce profits from the commercial operations of the business.

The net costs of providing these obligations on identified non-commercial forest zones for the year ended 30 June 2010 totalled $9.262 million, further detail of which is included in the Stewardship Report. Further costs in relation to the general forest zone remain unspecified.

During the year ended 30 June 2010 there were no additional directions given to Forestry Tasmania by the Minister or Treasurer to perform any additional CSOs.

Business performance targets and achievement against these

Sustainable Forest Management Objectives

Consistent with its strategic direction on sustainability, Forestry Tasmania developed a 'Sustainability Charter' which sets out its objectives in respect to sustaining: biodiversity and habitat; jobs for current and future generations; carbon stores, clean air, water and healthy forests; community access and heritage; and science-based stewardship.

Dividend

Treasurer has agreed to waive the deferred dividend of $2.4 million, which was due on 30 June 2010.

Performance of business against targets

These sustainable forest management objectives and the performance for the year ended 30 June 2010 are outlined in the Stewardship Report. Further, the Chairman's and Managing Director's message in the Stewardship Report provides an overview of the operations of Forestry Tasmania and its subsidiaries during that financial year.

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 our 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 2009/10 valued at more than $50,000, with a total value of $12.5 million. Seventy-two of these purchase orders were with Tasmanian suppliers for a total value of $10.7 million.

Bob Gordon

Managing Director