APPENDIX 1 – 2011-12

financial statements

Forestry Tasmania

Directors' Report

Directors' Report

The Directors present their report together with the financial report of the consolidated entity, being Forestry Tasmania (the Organisation) and its controlled entities, for the financial year ended 30 June 2012.

Directors

The Directors of the Organisation at any time during or since the end of the financial year are:
Adrian Kloeden (Chairman)
Deborah Radford (retired 30 June 2012)
Geoff Coffey
Humphrey J Elliott
Miles Hampton
Robert Smith (appointed 9 July 2012)
Robert L Gordon (Managing Director)

Principal Activities

Forestry Tasmania's statutory responsibility is to manage 1.5 million hectares of State forest, representing 22% of Tasmania's total land area and 39% of its forested land area. Its main undertaking is the sustainable management of Tasmania's State forests to optimise community benefit, including the sustainable production and delivery of forest products and services, the facilitation of new forest based industries, the conservation of natural and cultural heritage values and the provision of education, recreation and tourism services.

Results

The net result of the consolidated entity after income tax before other items from continuing operations was $27.598 million loss (2011: $12.082 million loss).

The total comprehensive expense for the year attributable to the equity holders of the parent was $69.849 million (2011: $128.794 million). The major contributing items to the expense were the increase in the unfunded superannuation liability net of tax of $30.953 million (2011: decrease $2.262 million) and the reversal of the accumulated increments realised on the sale of the softwood joint venture and associated costs net of tax of $12.079 million (2011: nil).

Going Concern Basis of Preparation of Annual Financial Statements

In the 2011 Annual report it was noted that Forestry Tasmania's operating result, together with the continued ongoing uncertainty around the Tasmanian Forests Intergovernmental Agreement (the Agreement) and the Statement of Principles (the Principles) and their possible impacts on the business, caused the Directors to review the appropriateness of continuing to prepare the financial accounts on a going concern basis.

The situation at 30 June 2012 is not materially different to that which existed at 30 June 2011.

The current trading outlook presents significant challenges in terms of sales volumes and pricing and in these circumstances there are material uncertainties over future trading results and cash flows.

In addition, while the effect on the business of the Agreement and Principles is yet to be finalised, it is possible that they will lead to a significant reduction in the resource available for harvest and sale. Further in July 2011 the State Government initiated a strategic review of Forestry Tasmania. The outcome of the review has not yet been determined, and the possible impact remains unknown.

The Directors have concluded that under these circumstances there continues to be material uncertainty about the operations of the business.

However, the Directors note that whilst demand and pricing remains challenging, demand and pricing for some products has improved.

Further, Forestry Tasmania has reduced its costs and measures have been instituted to preserve cash.

In addition Directors have received assurances from the relevant ministers that Forestry Tasmania will receive such ongoing support as is necessary to continue its operations for the foreseeable future. This assurance is supported by inclusion in the State Budget and forward estimates of financial support of up to $110m, $35m of which is available in 2012-13.

Taking into account all the above factors the Directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing the financial report.

Directors' Report

Review of Operations

Dividends

There have been no dividends declared or paid to the shareholder since the end of the previous financial year.

Events Subsequent to Reporting Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Organisation, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Indemnification and Insurance of Officers

During the financial year the Organisation has paid insurance premiums in respect of Directors' and Officers' liability. The insured persons under this policy are defined as all the Directors of the Organisation, the Secretary and executive officers of the Organisation and any related body corporate and as such are insured against a liability incurred as a director, company secretary or executive officer to the extent permitted by the Corporations Act 2001. The terms of the insurance policy prohibit disclosure of the total amount of the premiums and the nature of the liabilities covered.

Since the end of the previous financial year, the Organisation has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Organisation or any related body corporate.

Dated at Hobart, this 9th day of August 2012

Signed in accordance with a resolution of Directors:

Adrian Kloeden	**Miles Hampton**
Director	Director

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statements OF COMPREHENSIVE INCOME

Statements of Comprehensive Income

For the year ended 30 June 2012

		Consolidated		Parent Entity	
		2012	2011	2012	2011
	Note	$'000	$'000	$'000	$'000
Revenue from forest sales	4	**89,415**	156,459	**89,415**	156,459
Other revenue and income	5	**13,059**	15,793	**11,343**	13,251
Tasmanian Community Forest Agreement income – operating activities	6	**1,010**	3,716	**1,010**	3,716
Expense from operations before costs attributable to non-commercial forest zones	7	**(128,682)**	(179,299)	**(127,544)**	(177,268)
Results from operating activities		**(25,198)**	(3,331)	**(25,776)**	(3,842)
Finance income	8	**2,050**	2,331	**2,050**	2,331
Finance expense	8	**(11,154)**	(11,544)	**(10,178)**	(10,551)
Net finance costs		**(9,104)**	(9,213)	**(8,128)**	(8,220)
Share of net profit/(loss) after tax of joint ventures accounted for using the equity method	21	**(10)**	85	**(10)**	85
Profit before tax, costs attributable to non-commercial zones and other items*		**(34,312)**	(12,459)	**(33,914)**	(11,977)
Costs attributable to non-commercial forest zones ^	7b	**(5,269)**	(5,255)	**(5,269)**	(5,255)
Profit/(loss) before tax and other items*		**(39,581)**	(17,714)	**(39,183)**	(17,232)
Income tax (expense)/benefit on profits before other items*	12a	**11,983**	5,632	**11,757**	5,488
Profit/(loss) after tax before other items*		**(27,598)**	(12,082)	**(27,426)**	(11,744)
Other items					
Tasmanian Community Forest Agreement income – intensive forest management	6	**5,345**	7,496	**5,345**	7,496
Increase/(decrease) in the unfunded superannuation liability	27	**(44,219)**	3,232	**(44,219)**	3,232
Biological asset valuation increment /(decrement)	11	**1,932**	(87,159)	**1,932**	(87,159)
Current year plantation costs	11	**(6,107)**	(8,094)	**(6,107)**	(8,094)
Movement in obligations for non-commercial zones^	26	**1,800**	8,700	**1,800**	8,700
Reversal of accumulated increments realised on sale of softwood joint venture	9	**(17,316)**	-	**(17,316)**	-
Gain/(loss) on sale of assets	10	**(3,198)**	(8)	**(3,198)**	(8)
Increase/(decrease) in the fair value of superannuation investment	22	**(139)**	1,314	**(139)**	1,314
Loss of investment in subsidiary company	22	**-**	-	**(280)**	(198)
Income tax (expense)/benefit on these items	12a	**18,571**	22,541	**18,655**	22,599
Derecognition of deferred tax asset on forest land	12b	**-**	(65,416)	**-**	(65,416)
Net profit/(loss) attributable to the owners of Forestry Tasmania		**(70,929)**	**(129,476)**	**(70,953)**	**(129,278)**
Other comprehensive income					
Increase/(decrease) in the revaluation of land and buildings	19	**1,444**	1,150	**1,410**	1,150
Income tax on revaluation of land and buildings	12a	**(364)**	(468)	**(354)**	(468)
Other comprehensive income/(expense) for the year, net of income tax		**1080**	682	**1,056**	682
Total comprehensive income/(expense) for the year attributable to the equity holders of the parent		**(69,849)**	**(128,794)**	**(69,897)**	**(128,596)**

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

^ Does not include non-commercial obligation 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 2012

Consolidated	Contributed Equity $'000	Property & General Revaluation Reserve $'000	Retained Earnings/ (Accumulated losses) $'000	Total Equity $'000
Balance at 01 July 2011	234,457	7,874	(95,695)	146,636
Total comprehensive income for the year				
Profit or (loss)	-	-	(70,929)	(70,929)
Other comprehensive income				-
Increase/(decrease) in the revaluation of land and buildings	-	1,080	-	1,080
Transfer to retained earnings		(229)	160	(69)
Total other comprehensive income	-	851	160	1,011
Total comprehensive income for the year	-	851	(70,769)	(69,918)
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 2012	234,457	8,725	(166,464)	76,718
Balance at 01 July 2010	234,457	7,192	33,423	275,072
Total comprehensive income for the year				
Profit or (loss)	-	-	(129,476)	(129,476)
Other comprehensive income				
Increase/(decrease) in the revaluation of land and buildings	-	682	-	682
Transfer to retained earnings	-	-	358	358
Total other comprehensive income	-	682	358	1,040
Total comprehensive income for the year	-	682	(129,118)	(128,436)
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 2011	234,457	7,874	(95,695)	146,636

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

statements OF CHANGES IN EQUITY

Parent Entity	Contributed Equity $'000	Property & General Revaluation Reserve $'000	Retained Earnings / (Accumulated losses) $'000	Total Equity $'000
Balance at 01 July 2011	234,457	7,719	(95,518)	146,658
Total comprehensive income for the year				
Profit or (loss)	-	-	(70,953)	(70,953)
Other comprehensive income				
Increase/(decrease) in the revaluation of land and buildings	-	1,056	-	1,056
Transfer to retained earnings	-	(229)	160	(69)
Total other comprehensive income	-	827	160	987
Total comprehensive income for the year	-	827	(70,793)	(69,966)
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 2012	234,457	8,546	(166,311)	76,692

Balance at 01 July 2010	234,457	7,037	33,398	274,892
Total comprehensive income for the year				
Profit or (loss)	-	-	(129,278)	(129,278)
Other comprehensive income				-
Increase/(decrease) in the revaluation of land and buildings	-	682	-	682
Transfer to retained earnings	-	-	362	362
Total other comprehensive income	-	682	362	1,044
Total comprehensive income for the year	-	682	(128,916)	(128,234)
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 2011	234,457	7,719	(95,518)	146,658

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 2012

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent Entity 2012 $'000	Parent Entity 2011 $'000
Current assets					
Cash and cash equivalents	14(a)	**12,283**	9,365	**12,282**	9,291
Trade and other receivables	15	**25,566**	34,702	**24,324**	34,200
Inventories	16	**13,349**	12,684	**13,349**	12,684
Biological assets	17	**10,923**	6,741	**10,923**	6,741
Other investments	22	**-**	7,147	**-**	7,147
Total current assets		**62,121**	70,639	**60,878**	70,063
Non current assets					
Trade and other receivables	15	**76**	76	**4,959**	4,060
Other investments	22	**575**	570	**575**	632
Investments accounted for using the equity method	21	**427**	436	**427**	436
Net deferred tax asset	12(c)	**19,877**	-	**18,867**	-
Property, plant and equipment	19	**42,998**	43,999	**23,295**	23,204
Forest estate assets	18	**116,140**	116,749	**116,140**	116,749
Biological assets	17	**136,937**	224,836	**136,937**	224,836
Intangible assets	20	**77**	207	**77**	207
Total non current assets		**317,107**	386,873	**301,277**	370,124
Total assets		**379,228**	457,512	**362,155**	440,187
Current liabilities					
Trade and other payables	23	**12,431**	14,976	**12,446**	14,802
Revenue received in advance	24	**9,518**	12,988	**9,068**	12,484
Interest bearing liabilities	25	**11,228**	29,994	**11,000**	29,800
Obligations for non-commercial forest zones	26	**2,288**	1,463	**2,288**	1,463
Employee benefits	27	**10,644**	9,499	**10,644**	9,499
Total current liabilities		**46,109**	68,920	**45,446**	68,048
Non current liabilities					
Trade and other payables	23	**10**	10	**1,144**	798
Revenue received in advance	24	**31,193**	34,744	**24,976**	28,076
Interest bearing liabilities	25	**11,301**	22,512	**-**	11,000
Net deferred tax liability	12(c)	**-**	10,244	**-**	11,161
Obligations for non-commercial forest zones	26	**53,012**	55,637	**53,012**	55,637
Employee benefits	27	**160,885**	118,809	**160,885**	118,809
Total non current liabilities		**256,401**	241,956	**240,017**	225,481
Total liabilities		**302,510**	310,876	**285,463**	293,529
Net assets		**76,718**	146,636	**76,692**	146,658
Equity					
Contributed equity		**234,457**	234,457	**234,457**	234,457
Reserves		**8,725**	7,874	**8,546**	7,719
Retained earnings / (Accumulated losses)		**(166,464)**	(95,695)	**(166,311)**	(95,518)
Total equity		**76,718**	146,636	**76,692**	146,658

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

statements OF CASH FLOWS

Statements of Cash Flows

For the year ended 30 June 2012

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent Entity 2012 $'000	Parent Entity 2011 $'000
Cash flows from operating activities					
Inflows:					
Cash receipts from customers		**94,596**	161,799	**93,591**	159,452
Distributions received – softwood joint venture		**4,641**	2,250	**4,641**	2,250
Interest received	8	**1,995**	1,796	**1,995**	1,796
Outflows:					
Payments to suppliers and employees		**(126,159)**	(172,807)	**(126,219)**	(171,428)
Borrowing costs paid		**(1,852)**	(2,386)	**(1,852)**	(2,386)
Net cash provided by / (used in) operating activities	14(c)	**(26,779)**	(9,348)	**(27,844)**	(10,316)
Cash flows from investing activities					
Inflows:					
Proceeds from sale of investments		**7,008**	7,926	**7,008**	7,926
Proceeds from sale of property, plant and equipment		**71,020**	690	**71,020**	690
Outflows:					
Payments to suppliers and employees for plantation forest activities		**(6,107)**	(8,094)	**(6,107)**	(8,094)
Payments for property, plant and equipment and other assets		**(11,286)**	(10,185)	**(11,286)**	(10,185)
Net cash provided by / (used in) investing activities		**60,635**	(9,663)	**60,635**	(9,663)
Cash flows from financing activities					
Outflows:					
Finance lease payments		**(1,138)**	(1,170)	**-**	-
Repayment of borrowings		**(29,800)**	-	**(29,800)**	-
Net cash provided by / (used in) financing activities		**(30,938)**	(1,170)	**(29,800)**	-
Net increase/(decrease) in cash and cash equivalents held		**2,918**	(20,181)	**2,991**	(19,979)
Cash and cash equivalents at the beginning of the year		**9,365**	29,546	**9,291**	29,270
Cash and cash equivalents at the end of the year	14(a)	**12,283**	9,365	**12,282**	9,291

The Statements of Cash Flows 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 and the delivery of community service obligations. 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 on a going concern basis 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 (IFRS's) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements of Forestry Tasmania for the year ended 30 June 2012 were authorised for issue by the Board of Directors on 9 August 2012.

(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 thousand unless otherwise stated.

In the 2011 Annual report it was noted that Forestry Tasmania's operating result, together with the continued ongoing uncertainty around the Tasmanian Forests Intergovernmental Agreement (the Agreement) and the Statement of Principles (the Principles) and their possible impacts on the business, caused the Directors to review the appropriateness of continuing to prepare the financial accounts on a going concern basis.

The situation at 30 June 2012 is not materially different to that which existed at 30 June 2011.

The current trading outlook presents significant challenges in terms of sales volumes and pricing and in these circumstances there are material uncertainties over future trading results and cash flows.

In addition, while the effect on the business of the Agreement and Principles is yet to be finalised, it is possible that they will lead to a significant reduction in the resource available for harvest and sale.

Further in July 2011 the State Government initiated a strategic review of Forestry Tasmania. The outcome of the review has not yet been determined, and the possible impact remains unknown.

The Directors have concluded that under these circumstances there continues to be material uncertainty about the operations of the business.

However, the Directors note that whilst demand and pricing remains challenging, demand and pricing for some products has improved.

Further, Forestry Tasmania has reduced its costs and measures have been instituted to preserve cash.

In addition Directors have received assurances from the relevant ministers that Forestry Tasmania will receive such ongoing support as is necessary to continue its operations for the foreseeable future. This assurance is supported by inclusion in the State Budget and forward estimates of financial support of up to $110m, $35m of which is available in 2012-13.

Taking into account all the above factors the Directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing the financial report.

(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(e) – Tasmanian Community Forest Agreement treatment
– Note 2(l) (i) – Biological assets – measurement of fair value less costs to sell
– Note 2(l) (iii) – Forest land – measurement of fair value
– Note 2(p) (ii) – Impairment of assets
– Note 2(r) – Provision for workers compensation – measurement of future liability
– Note 2(s) – Obligation for non-commercial zones
– Note 12 – Deferred tax asset on land
– Note 25 – Debt allocation
– Note 27 – Superannuation liability – measurement of defined benefit obligation

(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 financial statements of the Organisation, investments in subsidiaries are, subject to impairment assessment, carried at cost. Acquisitions are accounted for using the acquisition 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 accounting 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 relates to the Organisation's investment in Newood and 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 24). Ongoing capital commitments under the TCFA funding are disclosed in note 26.

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. 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 is 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 Statement of Financial Position.

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 2012, the net carrying amount of leased plant, machinery and equipment was $ nil (2011: $ 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 [refer note 2(p)(ii)]. 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 leases 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 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 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.

Interest-bearing liabilities – are 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 – Subsidiaries are accounted for at cost less impairment losses in accordance with AASB 127.

Superannuation investment – The Superannuation Investment was an investment portfolio comprised of cash and equities with independent investment managers. Unrealised capital gains were taken to the Superannuation Revaluation Reserve. The cash and fixed interest components of this portfolio were 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 was determined using market prices from fund managers that were from an active and liquid market. The investment has now been fully realised.

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

(ii) Derivative financial instruments

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

Other non-trading derivatives

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

(j) Inventories (excluding forest assets)

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

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

(k) Forest estate assets – wholly owned estate

The forest estate assets comprises land and roads. To comply with AASB 141 *Agriculture*, the biological assets have been separately reported in note 17 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 2(l) below for valuation methodology to arrive at the values for these component assets.

Depreciation and amortisation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each road. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The estimated useful life for the current and comparative periods is as follows:

- Roads and road structures – 2 to 20 years

(l) Biological assets

Forest estate valuation methodology

Forestry Tasmania engaged James W Sewall Company (Sewall) to establish a valuation for its entire forest estate, inclusive of land, roads and obligations. Sewall is a US based company with international (including Australasian) experience in valuing forest estates.

The Tasmanian Forests Intergovernmental Agreement and Statement of Principles process in Tasmania causes there to be considerable uncertainty as to what area may remain available from which Forestry Tasmania can source forest products.

Sewall valued the forest estate for three possible scenarios:

1. Base case of business as usual, meeting the historically legislated 300,000 cubic metre annual commitment for high quality eucalypt sawlog.

2. Reflects current annual contractual commitments of 163,000 cubic metres of high quality eucalypt sawlog and 265,000 cubic metres of eucalypt peeler billets, and forecast annual sales of 1.4 million tonnes of pulpwood and export peeler logs.

3. Reflects the possibility that all logging will cease in 572,000 hectares.

The results of the valuation process are:

Scenario	Discount Rate	Present Value
1	11.10%	$218,936,849
2	**10.10%**	**$208,690,790**
3	8.50%	$111,865,457

The directors have concluded that at this point in time, the most appropriate value to use is Scenario 2 which reflects the current contractual obligations of the entity and the Intergovernmental Agreement guarantee. This has resulted in an increment of $1.932 million in the value, which reverses part of the substantial decrement of $102 million in the 2011 financial year (See note 11).

If a constant discount rate of 10.1% were applied to each scenario (i.e. if the relative likelihood and risk of Scenarios 1 and 3 were equivalent to those of Scenario 2), then the respective relative values would be as shown below.

Scenario	Discount Rate	Present Value
1	10.10%	$236,826,492
2	**10.10%**	**$208,690,790**
3	10.10%	$90,478,281

The methodology applied to estimate the enterprise value and obligations 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.

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 timber zone and Formal forest reserve 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 26.

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 10.10% (2011:9.00%) 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 2011 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, overhead, 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 zone, all tourism costs are allocated 100% to formal forest reserves, while others are allocated based on the proportional hectarage 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 have 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 was 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.

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 $19 million.
– Discount rate: a 1% increase will decrease the valuation of the biological asset by $11 million and a 1% decrease will increase the valuation by $13 million.
– Cost: a 5% increase will decrease the valuation of the biological asset by $14 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 in the Statement of Financial Position within 'Forest Estate Assets'. Whilst 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))

(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 Forestry Tasmania/GMO Renewable Resources joint venture was sold on the 30th January 2012. In prior years, the crop value of this softwood plantation joint venture was 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 were adjusted for expected future market trends.

(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 30 June 2012 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 in other comprehensive income. 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 works and pre development costs are stated at cost less accumulated depreciation and accumulated impairment losses. Site infrastructure works 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 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.

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, and
- Site infrastructure works – 20 years.

Capitalisation threshold

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

(o) Intangible assets

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

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

All other expenditure is recognised in profit or loss as incurred.

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

Intangible assets related to software development are amortised over 5 years (2011: 5 years). The remaining lives of intangible assets range between 1-5 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 $2.727m (2011: $3.104m).

(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.

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"). 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.

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. This reversal will be taken to profit or loss.

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/(benefit) comprises current and deferred tax. Income tax expense/(benefit) 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/(loss) 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 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.

The superannuation liability is determined by a Treasury appointed independent Actuary.

(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 2012. The provision also includes an allowance for incurred but unreported claims at 30 June 2012.

(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

Forestry Tasmania undertakes a number of community service obligations (CSO's) which are currently unfunded. Further, the valuation methodology applied to the forest estate resulted in the formal forest reserve and special timber zones, returning negative asset valuations. Together these are recognised as the 'non-commercial zones'. These values are primarily negative on the basis of the CSO's associated with these areas. Forestry Tasmania considers the CSO's 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 CSO's 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 twelve 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) above 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 comprises interest income on funds invested, dividend income and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance expenses comprises interest expense on borrowings, impairment losses recognised on financial assets, interest cost associated with the superannuation liability 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).

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 within finance income or expense 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.

(u) 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.

3 New standards not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact Forestry in the period of initial application. They are available for early adoption at 30 June 2012, but have not been applied in preparing these financial statements. Forestry intends to adopt these standards in the first financial reporting period to which each standard is first applicable to. The extent of impact, if any, that the initial implementation of the Standards will have on the financial statements has yet to be determined.

AASB 9 'Financial Instruments' - In October 2010 the IASB issued IFRS 9 Financial Instruments (IFRS 9 [2010]) with an effective date of 1 January 2013. IFRS 9 (2010) supersedes the previous version that was issued in November 2009 (IFRS 9 [2009]). In December 2011 the IASB deferred the effective date of both these standards to 1 January 2015 and the AASB is in the process of doing the likewise for AASB 9. Early adopters may elect to apply IFRS 9 (2010) or IFRS 9 (2009) for periods beginning before 1 January 2015. This standard forms part of the IASB's comprehensive project to replace IAS 39 (AASB 139). The standard represents a significant change in the accounting for financial assets and liabilities. The impacts of these amendments, which become mandatory for Forestry's 30 June 2016 financial statements, have not yet been quantified.

Presentation of items of other comprehensive income (Amendments to AASB 101). This amendment clarifies the presentation requirements in the Statement of Comprehensive Income and relate to disclosure changes only. The amendments, which become mandatory for Forestry's 30 June 2013 financial statements, are not expected to have any impact on the financial statements.

AASB 13 - Fair Value Measurements - this new standard replaces the fair value measurement guidance in individual AASB's with a single source of fair value measurement guidance. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The impacts of this new standard, which becomes mandatory for Forestry's 30 June 2014 financial statements, have not yet been quantified.

AASB 10 - Consolidated Financial Statements - this new standard introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor is considered to control an investee when: (i) it is exposed or has rights to variable returns from its involvement with that investee; (ii) it has the ability to affect those returns through its power over that investee; and (iii) there is a link between power and returns. Control will be reassessed as facts and circumstances change. The impacts of this new standard, which becomes mandatory for Forestry's 30 June 2015 financial statements, have not yet been quantified.

AASB 11 - Joint Arrangements - this new standard supersedes the requirements in AASB 131 'Interests in Joint Ventures'. In determining the accounting for joint arrangements, it focuses on the rights and obligations of the joint arrangements rather than the legal form. It distinguishes joint arrangements between joint operations and joint ventures and will always require the equity method of accounting for jointly controlled entities that are now called joint ventures. Joint ventures are now not allowed the choice of using the proportionate consolidation method of accounting. The impacts of this new standard, which becomes mandatory for Forestry's 30 June 2015 financial statements, have not yet been quantified.

AASB 12 - Disclosure of Interests in Other Entities - this new standard contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The impacts of this new standard, which becomes mandatory for Forestry's 30 June 2015 financial statements, have not yet been quantified but are limited to disclosure requirements only.

Amendments to Australian Accounting Standards AASB 119 – Employee Benefits – This amendment now requires all actuarial gains and losses to be recognised in other comprehensive income. Therefore it eliminates the corridor method for recognising actuarial gains and losses and removes the ability for all movements in defined benefit obligations and plan assets in the profit or loss. Further the expected return on plan assets is calculated based on the rate used to discount the defined benefit obligation. The amendments, which become mandatory for the Company's 30 June 2015 financial statements, have not yet been quantified.

Amendments to Australian Accounting Standards AASB 127 – Separate Financial Statements – This amendment introduces minor clarifications for the accounting and disclosure requirements for separate financial statements. The amendments, which become mandatory for Forestry's 30 June 2015 financial statements, have not yet been quantified.

Amendments to Australian Accounting Standards AASB 128 – Investments in Associates and Joint Ventures – This amendment clarifies that AASB 5 applies to an investment in an associate or joint venture. Further it clarifies that on cessation of significant influence or joint control, the entity does not remeasure the retained interest. The amendments, which become mandatory for Forestry's 30 June 2015 financial statements, have not yet been quantified.

Amendments to Australian Accounting Standards AASB 7 and AASB 132 – Disclosures: Offsetting Financial Assets and Financial Liabilities – This amendment clarifies the offsetting rules for financial assets and liabilities (no longer converging with US GAAP) and introduces new disclosure requirements (which do align with US GAAP). The amendments, which become mandatory for Forestry's 30 June 2015 (AASB 132 offsetting rules) and 30 June 2014 (AASB 7 Disclosures) financial statements, have not yet been quantified.

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent Entity 2012 $'000	Parent Entity 2011 $'000
4 Revenue from forest sales					
Sales revenue		**78,564**	135,260	**78,564**	135,260
Share of GMO joint venture revenue	9	**10,851**	21,199	**10,851**	21,199
		89,415	156,459	**89,415**	156,459
5 Other revenue and income					
Forest management services income		**3,222**	5,733	**3,222**	5,733
Government grants		**626**	871	**324**	569
Nursery and seed sales		**346**	512	**346**	512
Tourism revenue		**1,618**	1,672	**1,618**	1,672
Proponent infrastructure fees		**150**	150	**-**	-
Forest lease		**627**	494	**627**	494
Consulting income		**923**	1,007	**923**	1,007
Transport assistance		**1,000**	-	**1,000**	-
Other revenue		**4,547**	5,354	**3,283**	3,264
		13,059	15,793	**11,343**	13,251
6 Tasmanian Community Forest Agreement income					
Grant income for operating activities now earned		**1,010**	3,716	**1,010**	3,716
Grant income for intensive forest management plantation activities now earned		**5,345**	7,496	**5,345**	7,496
		6,355	11,212	**6,355**	11,212

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

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent Entity 2012 $'000	Parent Entity 2011 $'000
(a) Expenses from operations					
(i) Payments to contractors and other sales costs					
Payments to contractors		**49,945**	88,556	**49,945**	88,556
Other sales costs		**7,380**	5,937	**7,380**	5,937
		57,325	94,493	**57,325**	94,493
(ii) Other expenses					
Share of GMO joint venture expenses	9	**9,559**	17,089	**9,559**	17,089
Freight		**6,905**	4,172	**6,905**	4,172
Vehicle lease and associated costs		**3,654**	3,343	**3,654**	3,343
Local government rates		**2,613**	2,774	**2,564**	2,725
Property rental		**3,109**	2,884	**3,109**	2,884
Office expenses		**2,311**	2,422	**2,311**	2,422
Consultancies and professional services		**1,644**	2,065	**1,592**	2,027
Property management		**2,136**	2,543	**1,374**	1,560
Minor equipment purchases and rentals		**642**	1,383	**642**	1,383
Guarantee fees		**547**	889	**547**	889
Information technology expense		**621**	629	**621**	629
Travel and accommodation		**482**	483	**482**	483
Operating lease rentals		**497**	473	**497**	473
Impairment of receivables		**7,750**	10,192	**7,393**	9,798
Expected reduction in (expense)/return on defined benefit superannuation assets	27	**(2,358)**	(2,281)	**(2,358)**	(2,281)
Other		**(80)**	142	**1,099**	672
		40,032	49,202	**39,991**	48,268
(iii) Depreciation and amortisation expense					
Plant and equipment		**1,332**	1,677	**1,332**	1,677
Plant and equipment under finance lease		**927**	927	**-**	-
Site infrastructure works		**170**	170	**-**	-
Roads and road structures		**7,295**	7,084	**7,295**	7,084
Buildings and leasehold improvements		**523**	498	**523**	498
Intangibles		**115**	158	**115**	158
		10,362	10,514	**9,265**	9,417

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent Entity 2012 $'000	Parent Entity 2011 $'000
7 Expense from operations before costs attributable to non-commercial zones (continued)					
(iv) Employee benefits expense					
Salaries and wages		**21,834**	25,294	**21,834**	25,294
Other associated expenses		**229**	215	**229**	215
Contribution to defined contribution superannuation funds		**1,682**	1,682	**1,682**	1,682
Workers compensation costs		**-**	296	**-**	296
Employee service cost	27	**2,487**	2,858	**2,487**	2,858
		26,232	30,345	**26,232**	30,345
		133,951	184,554	**132,813**	182,523
(b) Less costs attributable to non-commercial zones		**(5,269)**	(5,255)	**(5,269)**	(5,255)
		128,682	179,299	**127,544**	177,268
8 Finance income and expense					
Recognised in profit or loss:					
Interest income		**1,995**	1,796	**1,995**	1,796
Foreign exchange gains		**55**	535	**55**	535
Total finance income		**2,050**	2,331	**2,050**	2,331
Borrowing costs		**(1,852)**	(2,386)	**(1,852)**	(2,386)
Finance charge related to finance lease		**(976)**	(993)	**-**	-
Employee benefit superannuation interest costs		**(8,326)**	(8,165)	**(8,326)**	(8,165)
Total Finance expense		**(11,154)**	(11,544)	**(10,178)**	(10,551)
9 Reversal of accumulated increments to softwood joint venture		**17,316**	-	**17,316**	-
		17,316	-	**17,316**	-
Reconciliation					
Carrying value of biological assets		**85,650**	-	**85,650**	-
Net carrying value of other assets		**4,902**	-	**4,902**	-
Sale Price		**(78,000)**	-	**(78,000)**	-
Loss on sale		**12,552**	-	**12,552**	-
Stamp duty payable		**4,450**	-	**4,450**	-
Other costs of sale		**314**	-	**314**	-
		17,316	-	**17,316**	-

The share of GMO joint venture income and expenses represented in the accounts reflects trading up to the 30 January 2012 at which time the joint venture was sold.

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
10 (Gain)/loss on sale of assets	**3,198**	8	**3,198**	8
	3,198	8	**3,198**	8
Reconciliation of sale of assets				
Asset cost	**8,992**	2,081	**8,992**	2,081
Written down value	**4,018**	827	**4,018**	827
Proceeds from sale	**(820)**	(819)	**(820)**	(819)
(Gain)/loss on sale of assets	**3,198**	8	**3,198**	8

11 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 is reconciled as follows:

	Consolidated 2012	Consolidated 2011	Parent Entity 2012	Parent Entity 2011
Gross increase/(decrease) in the valuation of the general forest zone (productive native forest and plantation) - Forestry Tasmania	**1,932**	(101,918)	**1,932**	(101,918)
Gross increase/(decrease) in the valuation of plantation standing timber - GMO Softwood Joint Venture	**-**	14,759	**-**	14,759
Less current year plantation establishment costs and future crop expenditure (primarily contractor expenses) incurred during the financial year	**(6,107)**	(8,094)	**(6,107)**	(8,094)
Net impact on net profit/(loss) attributable to the owners of Forestry Tasmania	**(4,175)**	(95,253)	**(4,175)**	(95,253)

The movement in the valuation of the standing timber asset has no impact on the cash flows of the Group and is accounted for after the results from operating activities as identified in the Statement of Comprehensive Income.

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
12 Taxation				
(a) Current tax (expense)/benefit				
Current tax	**-**	2,727	**-**	2,616
Adjustments for prior periods	**(5)**	8	**(5)**	8
Increase/(decrease) in deferred tax asset	**5,959**	(66,664)	**5,958**	(66,542)
(Increase)/decrease in deferred tax liability	**25,033**	26,218	**24,882**	26,120
Movement posted direct to equity	**(433)**	468	**(423)**	468
	30,554	(37,243)	**30,412**	(37,329)
Reconciliation of income tax to comprehensive income statement disclosures				
Income tax (expense)/benefit on profits before other items	**11,983**	5,632	**11,757**	5,488
Income tax (expense)/benefit on other items	**18,571**	(42,875)	**18,655**	(42,817)
	30,554	(37,243)	**30,412**	(37,329)
(b) Reconciliation between tax expense/(benefit) and pre tax net profit/(loss)				
Profit/(loss) before tax	**(101,483)**	(92,233)	**(101,365)**	(91,949)
Income tax (expense)/benefit using the domestic tax rate of 30% (2011:30%)	**30,445**	27,670	**30,410**	27,585
Expenditure not allowable for income tax purposes	**(4)**	(6)	**(4)**	(6)
Derecognition of deferred tax asset on forest land	**-**	(65,416)	**-**	(65,416)
Equity accounting loss for Newood	**-**	-	**(85)**	-
Derecognition of opening deferred tax asset on Newood	**-**	-	**(22)**	-
Research and development	**149**	313	**149**	313
Less prior year under / over provision	**(5)**	8	**(5)**	8
Prior year CRC research and development deductions	**11**	-	**11**	-
Add non-temporary movement in superannuation investments	**(42)**	186	**(42)**	186
Income tax (expense)/benefit on pre tax net profit	**30,554**	(37,243)	**30,412**	(37,329)
(c) Deferred tax balances				
Assets				
Non-current	**76,974**	61,513	**75,480**	60,524
Liabilities				

12 Taxation (continued)

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

Consolidated – 2012

	Opening balance	Under/Over	Charged to Statement of Comprehensive Income	Transferred from Subsidiary	Charged to equity	**Closing balance**
Deferred tax assets						
Employee benefits	**38,481**	-	12,957	-	-	**51,438**
Revenue received in advance	**1,522**	-	(7)	-	-	**1,515**
Receivables and other investments	**3,413**	-	(1,066)	-	-	**2,347**
Other provisions	**372**	-	(131)	-	-	**241**
Obligations for non-commercial zones	**17,130**	-	(540)	-	-	**16,590**
Revenue losses	**10,101**	(5)	(5,254)	-	-	**4,842**
Transfer of deferred tax liability	**-**	-	-	-	-	**(57,097)**
Transfer deferred tax asset	**(71,020)**	-	-	-	-	**-**
Total	**-**	**(5)**	**5,959**	**-**	**-**	**19,877**
Deferred tax liabilities	**-**		-	-	-	**-**
Biological assets	**(68,873)**	-	24,939	-	-	**(43,934)**
Inventories	**(2,647)**	-	275	-	-	**(2,372)**
Property, plant, equipment and land	**(9,529)**	-	(732)	-	(433)	**(10,694)**
Other	**(215)**	-	118	-	-	**(97)**
Transfer of deferred tax asset	**71,020**	-	-	-	-	**-**
Transfer deferred tax liability	**-**	-	-	-	-	**57,097**
Total	**(10,244)**	**-**	**24,600**	**-**	**(433)**	**-**
Net deferred tax assets/(liabilities)	**(10,244)**	**(5)**	**30,559**	**-**	**(433)**	**19,877**

12 Taxation (continued)

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

Consolidated – 2011

	Opening balance	Under/Over	Charged to Statement of Comprehensive Income	Transferred from Subsidiary	Charged to equity	**Closing balance**
Deferred tax assets						
Employee benefits	**38,715**	-	(234)	-	-	**38,481**
Revenue received in advance	**1,590**	-	(68)	-	-	**1,522**
Receivables and other investments	**365**	-	3,048	-	-	**3,413**
Other provisions	**414**	-	(42)	-	-	**372**
Obligations for non-commercial zones	**19,740**	-	(2,610)	-	-	**17,130**
Property, plant, equipment and land	**56,662**	-	(65,723)	-	(468)	**(9,529)**
Superannuation Investment	**235**	-	(235)	-	-	**-**
Revenue losses	**7,596**	8	2,497	-	-	**10,101**
Transfer of deferred tax liability	**(97,850)**	-	-	-	-	**-**
Transfer deferred tax asset	**-**	-	-	-	-	**(61,491)**
Total	**27,467**	**8**	**(63,366)**	**-**	**(468)**	**-**
Deferred tax liabilities	**-**	-	-	-	-	**-**
Biological assets	**(94,918)**	-	26,045	-	-	**(68,873)**
Inventories	**(2,824)**	-	177	-	-	**(2,647)**
Other	**(108)**	-	(107)	-	-	**(215)**
Transfer of deferred tax asset	**-**	-	-	-	-	**61,491**
Transfer deferred tax liability	**97,850**	-	-	-	-	**-**
Total	**-**	**-**	**26,115**	**-**	**-**	**(10,244)**
Net deferred tax assets/(liabilities)	**27,467**	**8**	**(37,251)**	**-**	**(468)**	**(10,244)**

12 Taxation (continued)

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

Parent Entity – 2012

	Opening balance	Under/Over	Charged to Statement of Compre-hensive Income	Transferred from Subsidiary	Charged to equity	Closing balance
Deferred tax assets						
Employee benefits	**38,482**	-	12,957	-	-	**51,439**
Revenue received in advance	**171**	-	(7)	-	-	**164**
Receivables and other investments	**3,295**	-	(1,163)	-	-	**2,132**
Other provisions	**288**	-	9	-	-	**297**
Obligations for non-commercial zones	**17,130**	-	(540)	-	-	**16,590**
Investments in wholly owned subsidiaries	**22**	-	(5)	-	-	**17**
Revenue losses	**10,100**	(5)	(5,294)	40	-	**4,841**
Transfer of deferred tax liability	**-**	-	-	-	-	**(56,614)**
Transfer deferred tax asset	**(69,488)**	-	-	-	-	**-**
Total	**-**	**(5)**	**5,957**	**40**	**-**	**18,867**
Deferred tax liabilities						
Biological assets	**(68,873)**	-	24,939	-	-	**(43,934)**
Inventories	**(2,647)**	-	275	-	-	**(2,372)**
Property, plant, equipment and land	**(8,965)**	-	(887)	-	(423)	**(10,275)**
Other	**(166)**	-	132	-	-	**(34)**
Transfer of deferred tax asset	**69,488**	-	-	-	-	**-**
Transfer deferred tax liability	**-**	-	-	-	-	**56,614**
Total	**(11,161)**	**-**	**24,459**	**-**	**(423)**	**-**
Net deferred tax assets/(liabilities)	**(11,161)**	**(5)**	**30,416**	**40**	**(423)**	**18,867**

12 Taxation (continued)

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

Parent Entity – 2011

	Opening balance	Under/Over	Charged to Compre-hensive Income Statement	Transferred from Subsidiary	Charged to equity	**Closing balance**
Deferred tax assets						
Employee benefits	**38,716**	-	(234)	-	-	**38,482**
Revenue received in advance	**58**	-	113	-	-	**171**
Receivables and other investments	**365**	-	2,930	-	-	**3,295**
Other provisions	**330**	-	(42)	-	-	**288**
Obligations for non-commercial zones	**19,740**	-	(2,610)	-	-	**17,130**
Property, plant, equipment and land	**57,329**	-	(65,825)	-	(468)	**(8,965)**
Investments in wholly owned subsidiaries	**(37)**	-	59	-	-	**22**
Superannuation investment	**235**	-	(235)	-	-	**-**
Revenue losses	**7,596**	8	2,386	110	-	**10,100**
Transfer of deferred tax liability	**(97,806)**	-	-	-	-	**-**
Transfer deferred tax asset	**-**	-	-	-	-	**(60,524)**
Total	**26,525**	**8**	**(63,457)**	**110**	**(468)**	**-**
Deferred tax liabilities						
Biological assets	**(94,919)**	-	26,045	-	-	**(68,873)**
Inventories	**(2,824)**	-	177	-	-	**(2,647)**
Other	**(63)**	-	(103)	-	-	**(166)**
Transfer of deferred tax asset	**-**	-	-	-	-	**60,524**
Transfer deferred tax liability	**97,806**	-	-	-	-	**-**
Total	**-**	**-**	**26,120**	**-**	**-**	**(11,161)**
Net deferred tax assets/(liabilities)	**26,525**	**8**	**(37,337)**	**110**	**(468)**	**(11,161)**

13 Dividends

No dividend was paid during the 2011/12 financial year in relation to 2010/11 results.

Forestry Tasmania does not propose a dividend in respect to the current 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*.

14 Cash and cash equivalents

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
(a) Reconciliation of cash and cash equivalents				
For the purposes of the cash flow statements, cash and cash equivalents comprise the following as at 30 June:				
Cash	**12,249**	5,057	**12,248**	4,983
Share of GMO joint venture cash	**-**	4,268	**-**	4,268
Floats and advances	**34**	40	**34**	40
	12,283	9,365	**12,282**	9,291
(b) Reconciliation of Comprehensive income/(expense) - after tax before other items				
Comprehensive income after tax	**(27,598)**	(12,090)	**(27,426)**	(11,752)
Add/(less) items classified as investing/financing activities:				
(Profit)/loss on disposal of non current assets	**-**	8	**-**	8
Add/(less) non-cash items:				
Depreciation and amortisation	**10,362**	10,514	**9,265**	9,417
Income tax	**(11,983)**	(5,632)	**(11,757)**	(5,488)
Employee provisions	**3,665**	8,165	**3,665**	8,165
Share of joint ventures (profit)/loss	**3,349**	(1,860)	**3,349**	(1,860)
Share of Joint Venture Entities net (profit)/loss	**10**	(85)	**10**	(85)
Foreign exchange (Gain)/loss	**(55)**	(535)	**(55)**	(535)
Stock adjustments	**167**	797	**167**	797
Impairment of receivables	**7,750**	10,192	**7,393**	9,798
Tasmanian Community Forest Agreement – operating activities	**(1,160)**	(3,716)	**(1,010)**	(3,716)
Grants	**(302)**	(302)	**-**	-
Finance lease	**976**	993	**-**	-
Changes in assets and liabilities:				
(Increase)/decrease in current receivables	**3,541**	4,897	**4,281**	5,471
(Increase)/decrease in non-current receivables	**-**	(9)	**(899)**	(347)
(Increase)/decrease in inventories	**(812)**	(484)	**(812)**	(484)
(Increase)/decrease in other current assets	**172**	(334)	**172**	(334)
(Increase)/decrease in other non-current assets	**9**	(85)	**9**	(85)
Increase/(decrease) in current liabilities	**(8,694)**	(8,751)	**(8,817)**	(9,364)
Increase/(decrease) in non-current liabilities	**(6,176)**	(11,031)	**(5,379)**	(9,922)
Net cash provided by operating activities	**(26,779)**	(9,348)	**(27,844)**	(10,316)

	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent Entity 2012 $'000	Parent Entity 2011 $'000

14 Cash and cash equivalents (continued)

(c) Reconciliation of comprehensive income/(expense) after tax to net cash flows from operations

	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent Entity 2012 $'000	Parent Entity 2011 $'000
Comprehensive income after tax	**(70,929)**	(129,476)	**(70,953)**	(129,278)
Add/(less) items classified as investing/financing activities:				
(Profit)/loss on disposal of non-current assets	**20,514**	8	**20,514**	8
Interest on superannuation investment	**139**	(1,314)	**139**	(1,314)
Add/(less) non-cash items:				
Depreciation and amortisation	**10,362**	10,514	**9,265**	9,417
Income tax	**(30,554)**	37,243	**(30,412)**	37,329
Unrealised net forest (increment)/decrement	**2,375**	86,553	**2,375**	86,553
Employee benefits	**42,650**	2,280	**42,650**	2,280
Gain/(loss) on subsidiary	**-**	-	**280**	198
Share of joint ventures (profit)/loss	**3,349**	(1,860)	**3,349**	(1,860)
Share of Joint Venture Entities net (profit)/loss	**10**	(85)	**10**	(85)
Foreign exchange (Gain)/loss	**(55)**	(535)	**(55)**	(535)
Stock adjustments	**167**	797	**167**	797
Impairment of receivables	**7,750**	10,192	**7,393**	9,798
Tasmanian Community Forest Agreement - operating activities	**(1,160)**	(3,866)	**(1,010)**	(3,716)
Tasmanian Community Forest Agreement - capital activities	**(5,345)**	(7,496)	**(5,345)**	(7,496)
Grants	**(302)**	(302)	**-**	-
Finance lease	**976**	993	**-**	-
Changes in assets and liabilities:				
(Increase)/decrease in current receivables	**3,541**	4,897	**4,281**	5,471
(Increase)/decrease in non-current receivables	**-**	(9)	**(899)**	(347)
(Increase)/decrease in inventories	**(812)**	(484)	**(812)**	(484)
(Increase)/decrease in other current assets	**172**	(334)	**172**	(334)
(Increase)/decrease in other non-current assets	**9**	(85)	**9**	(85)
Increase/(decrease) in current liabilities	**(3,460)**	(5,948)	**(3,583)**	(6,711)
Increase/(decrease) in non-current liabilities	**(6,176)**	(11,031)	**(5,379)**	(9,922)
Net cash provided by operating activities	**(26,779)**	(9,348)	**(27,844)**	(10,316)

	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent Entity 2012 $'000	Parent Entity 2011 $'000
15 Trade and other receivables				
Current				
Trade and other receivables	**32,558**	39,431	**30,412**	38,417
Less provision for impairment	**(8,142)**	(11,666)	**(7,110)**	(10,991)
Share of GMO JV receivables	**-**	5,423	**-**	5,423
Accrued revenue	**439**	372	**311**	209
Prepayments	**537**	709	**537**	709
Derivative asset	**174**	433	**174**	433
Total current receivables	**25,566**	34,702	**24,324**	34,200
Non-current				
Other	**76**	76	**4,959**	4,060
Total non-current receivables	**76**	76	**4,959**	4,060
16 Inventories				
Gravel stocks at cost	**2,986**	3,225	**2,986**	3,225
Seed and seedlings at cost	**4,687**	5,313	**4,687**	5,313
Timber at cost	**5,351**	3,609	**5,351**	3,609
Share of GMO JV timber at cost	**-**	147	**-**	147
Stores general at cost	**325**	390	**325**	390
	13,349	12,684	**13,349**	12,684
17 Biological assets				
Current				
Standing timber at valuation	**10,923**	6,741	**10,923**	6,741
Non-current				
Standing timber at valuation	**136,937**	139,186	**136,937**	139,186
GMO joint venture timber resource at valuation	**-**	85,650	**-**	85,650
	136,937	224,836	**136,937**	224,836
	147,860	231,577	**147,860**	231,577

17 Biological assets (continued)

	Consolidated	Parent Entity
Reconciliation of biological assets ($000)	$'000	$'000
Carrying amount at 1 July 2011	231,577	231,577
Additions (note 11)	6,107	6,107
Reallocation to Statement of Comprehensive Income (note 11)	(6,107)	(6,107)
Disposal	(85,649)	(85,649)
Revaluation/(devaluation):	1,932	1,932
Carrying amount at 30 June 2012	**147,860**	**147,860**
Carrying amount at 1 July 2010	318,737	318,737
Additions (note 11)	8,094	8,094
Reallocation to Statement of Comprehensive Income (note 9)	(8,094)	(8,094)
Revaluation/(devaluation):	(87,160)	(87,160)
Carrying amount at 30 June 2011	**231,577**	**231,577**

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 2012, there remains $7 million (2011 : $10 million) of works to be acquitted against the TCFA intensive forest management program.

18 Forest estate assets

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Roads and road structures at cost	**272,658**	265,972	**272,658**	265,972
Less provision for depreciation of roads	**(156,518)**	(149,223)	**(156,518)**	(149,223)
	116,140	116,749	**116,140**	116,749

Reconciliation of forest estate assets ($000)

	Consolidated		Parent Entity	
	Roads and Structures	Total	Roads and Structures	Total
	$'000	$'000	$'000	$'000
Carrying amount at beginning of year 1 July 2011	116,749	116,749	116,749	116,749
Additions	5,551	5,551	5,551	5,551
Net movement in work in progress	1,135	1,135	1,135	1,135
Depreciation	(7,295)	(7,295)	(7,295)	(7,295)
Carrying amount at 30 June 2012	**116,140**	**116,140**	**116,140**	**116,140**
Carrying amount at beginning of year 1 July 2010	114,654	114,654	114,654	114,654
Additions	9,801	9,801	9,801	9,801
Disposal/reallocation	(35)	(35)	(35)	(35)
Net movement in work in progress	(586)	(586)	(586)	(586)
Depreciation	(7,085)	(7,085)	(7,085)	(7,085)
Carrying amount at 30 June 2011	**116,749**	**116,749**	**116,749**	**116,749**

The independent valuation conducted by Sewall determined in the year ended 30 June 2010, 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 impaired the forest land asset to a zero carrying value as 30 June 2010 (See note 2(l)(iii)). Subsequent valuations by Sewall reconfirmed this treatment.

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
19 Property, plant and equipment				
Land under buildings at fair value	**3,189**	2,510	**2,815**	2,170
Buildings at fair value	**12,657**	12,270	**12,657**	12,270
Transmission line asset at fair value	**14,811**	14,811	**-**	-
Plant and equipment at cost	**11,322**	19,536	**11,322**	19,536
Site infrastructure at cost	**6,846**	6,886	**-**	-
Pre-development works at cost	**3,405**	3,405	**-**	-
Capital work in progress	**4,021**	326	**4,021**	326
Less accumulated depreciation	**(13,147)**	(14,104)	**(7,414)**	(9,457)
Less accumulated impairment losses	**(106)**	(1,641)	**(106)**	(1,641)
Total property, plant and equipment	**42,998**	43,999	**23,295**	23,204

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 30 June 2012 for major assets 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 are determined by applying the Capital Value Adjustment Factors obtained from the office of the Valuer General.

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

	Land	Buildings	Transmission line	Plant & equipment	Site infrastructure works	Pre-development costs	Capital work in progress	Total
								Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$’000	$'000
Carrying amount at 1 July 2011	2,509	12,227	12,392	8,482	5,353	2,710	326	43,999
Additions	60	319	-	466	-	-	4,561	5,406
Disposals	(102)	(130)	-	(3,771)	(40)	-	-	(4,043)
Revaluation	721	722	-	-	-	-	-	1,443
Movement in work in progress	-	-	-	-	-	-	(866)	(866)
Depreciation	-	(523)	(592)	(1,332)	(325)	(170)	-	(2,941)
Carrying amount at 30 June 2012	**3,188**	**12,615**	**11,800**	**3,845**	**4,989**	**2,540**	**4,021**	**42,998**
Carrying amount at 1 July 2010	2,488	11,222	12,984	9,935	5,688	2,880	1,187	46,384
Additions	-	434	-	546	-	-	1,171	2,151
Disposals	-	(400)	-	(322)	-	-	-	(722)
Reallocation	-	-	-	-	-	-	16	16
Revaluation	91	1,469	-	-	-	-	-	1,560
Impairment	(70)	-	-	-	-	-	-	(70)
Movement in work in progress	-	-	-	-	-	-	(2,048)	(2,048)
Depreciation	-	(498)	(592)	(1,677)	(335)	(170)	-	(3,272)
Carrying amount at 30 June 2011	**2,509**	**12,227**	**12,392**	**8,482**	**5,353**	**2,710**	**326**	**43,999**
Original cost of assets 30 June 2012	**2,258**	**20,764**	**14,811**	**13,112**	**6,828**	**3,405**		**61,178**

19 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 2011	2,169	12,227	-	8,482	-	-	326	23,204
Additions	60	319	-	466	-	-	4,561	5,406
Disposals	(102)	(130)	-	(3,771)	-	-	-	(4,003)
Revaluation	687	722	-	-	-	-	-	1,409
Movement in work in progress	-	-	-	-	-	-	(866)	(866)
Depreciation	-	(523)	-	(1,332)	-	-	-	(1,855)
Carrying amount at 30 June 2012	**2,814**	**12,615**	**-**	**3,845**	**-**	**-**	**4,021**	**23,295**
Carrying amount at 1 July 2010	2,148	11,222	-	9,935	-	-	1,187	24,493
Additions	-	434	-	546	-	-	1,171	2,151
Disposals	-	(400)	-	(322)	-	-	-	(722)
Reallocation	-	-	-	-	-	-	16	16
Revaluation	91	1,469	-	-	-	-	-	1,560
Impairment	(70)	-	-	-	-	-	-	(70)
Movement in work in progress	-	-	-	-	-	-	(2,048)	(2,048)
Depreciation	-	(498)	-	(1,677)	-	-	-	(2,175)
Carrying amount at 30 June 2011	**2,169**	**12,227**	**-**	**8,482**	**-**	**-**	**326**	**23,204**
Original cost of assets 30 June 2012	**1,884**	**20,764**	**-**	**13,112**	**-**	**-**		**35,760**

Impairment of assets

Forestry Tasmania has completed impairment testing of its property, plant and equipment assets. No impairment loss has been recognised in the profit and loss during 2012 (2011: $ nil).

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
20 Intangible assets				
Forestry Tasmania's intangible assets relate to the development costs of internally produced software.				
Software development	**2,787**	2,861	**2,787**	2,861
Less provision for amortisation	**(2,710)**	(2,654)	**(2,710)**	(2,654)
	77	207	**77**	207

20 Intangible assets (continued)

	Consolidated			Parent Entity		
	Software	Work in Progress	Total	Software	Work in Progress	Total
	$000	$'000	$'000	$000	$'000	$'000
Carrying amount at 1 July 2011	207	-	207	207	-	207
Disposal/reallocation	(15)	-	(15)	(15)	-	(15)
Amortisation	(115)	-	(115)	(115)	-	(115)
Carrying amount at 30 June 2012	**77**	**-**	**77**	**77**	**-**	**77**
Carrying amount at 1 July 2010	315	11	326	315	11	326
Additions – internally developed	-	25	25	-	25	25
Disposal/reallocation	-	14	14	-	14	14
Net movement in work in progress	50	(50)	-	50	(50)	-
Amortisation	(158)	-	(158)	(158)	-	(158)
Carrying amount at 30 June 2011	**207**	**-**	**207**	**207**	**-**	**207**

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000

21 Investments accounted for using the equity method

Investments in Hollybank Treetops Adventure Pty Ltd	**427**	436	**427**	436
	427	436	**427**	436

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

(a) Contribution to Forestry Tasmania from joint venture entities				
Revenues from continuing operations	**574**	612	**574**	612
Expenses from continuing operations	**(584)**	(528)	**(584)**	(528)
Profit/(loss) from continuing operations	**(10)**	85	**(10)**	85
Net profit/(loss) – accounted for using the equity method	**(10)**	85	**(10)**	85
(b) Statement of financial position				
Current assets	**61**	58	**61**	58
Non-current assets	**485**	467	**485**	467
Total assets	**546**	524	**546**	524
Current liabilities	**(73)**	(33)	**(73)**	(33)
Non-current liabilities	**(46)**	(55)	**(46)**	(55)
Total liabilities	**(119)**	(88)	**(119)**	(88)
Net assets	**427**	436	**427**	436

	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent Entity 2012 $'000	Parent Entity 2011 $'000
21 Investments accounted for using the equity method (continued)				
(c) Reconciliations				
Share of post-acquisition retained profits attributable to joint venture entities				
Share of joint venture entities' retained profit/(losses) at beginning of year	**436**	351	**436**	351
Share of joint venture entities' net profit/(losses)	**(10)**	85	**(10)**	85
Share of joint venture entities' retained profit/(losses) at end of year	**427**	436	**427**	436
Movement in carrying amount of joint ventures				
Carrying amount at beginning of year	**436**	351	**436**	351
Share of joint venture entities' net profits/(losses)	**(10)**	85	**(10)**	85
Carrying amount at end of year	**427**	436	**427**	436
22 Other investments				
Current				
Superannuation investment	**-**	7,147	**-**	7,147
Non-current				
Investment in infrastructure assets – Eco Centre trust	**570**	570	**570**	570
Investment in Huon Valley Financials Pty Ltd	**5**	-	**5**	-
Investment in subsidiary companies	**-**	-	**-**	62
	575	570	**575**	632
	575	7,717	**575**	7,779
Reconciliation of superannuation investment account ($000)				
Opening balance 1 July 2011	**7,147**	13,666	**7,147**	13,666
Realisation of investments	**(7,008)**	(7,926)	**(7,008)**	(7,926)
Earnings on cash investments	**-**	93	**-**	93
Movement in fair value	**(139)**	1,314	**(139)**	1,314
Closing balance 30 June 2012	**-**	7,147	**-**	7,147

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

	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent Entity 2012 $'000	Parent Entity 2011 $'000
23 Trade and other payables				
Current				
Trade creditors and other payables	**5,155**	9,030	**5,365**	9,025
Share of GMO JV payables	**-**	1,587	**-**	1,587
Accrued expenses	**7,276**	4,359	**7,081**	4,190
Total current payables	**12,431**	14,976	**12,446**	14,802
Non-current				
Trade creditors	**10**	10	**1,144**	798
	10	10	**1,144**	798

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000

24 Revenue received in advance

	2012	2011	2012	2011
Current	**9,518**	12,988	**9,068**	12,484
Non-current	**31,193**	34,744	**24,976**	28,076
	40,711	47,732	**34,044**	40,560
Reconciliation of revenue received in advance ($000)				
Opening balance 1 July 2011	**47,732**	59,966	**40,560**	52,343
New revenue received in advance	**319**	1,548	**319**	1,548
Tasmanian Community Forest Agreement income – operating activities	**(1,010)**	(3,716)	**(1,010)**	(3,716)
Tasmanian Community Forest Agreement income – intensive forest management	**(5,345)**	(7,496)	**(5,345)**	(7,496)
Other activities	**(985)**	(1,621)	**(480)**	(1,170)
Transfer to offset assets	**-**	(949)	**-**	(949)
Closing balance 30 June 2012	**40,711**	47,732	**34,044**	40,560

25 Interest bearing liabilities

	2012	2011	2012	2011
Current				
Borrowings	**11,000**	29,800	**11,000**	29,800
Finance lease	**228**	194	**-**	-
	11,228	29,994	**11,000**	29,800
Non-Current				
Borrowings	**-**	11,000	**-**	11,000
Finance lease	**11,301**	11,512	**-**	-
Total	**11,301**	22,512	**-**	11,000
Financing Arrangements				
The Group has access to the following lines of credit:				
Total facilities available:				
Credit cards	**800**	800	**800**	800
Loan facility – secured	**31,000**	60,800	**31,000**	60,800
	31,800	61,600	**31,800**	61,600
Facilities used at balance date:				
Credit cards	**59**	74	**59**	74
Loan facility – secured	**11,000**	40,800	**11,000**	40,800
	11,059	40,874	**11,059**	40,874
Facilities not utilised at balance date:				
Credit cards	**741**	726	**741**	726
Loan facility – secured	**20,000**	20,000	**20,000**	20,000
	20,741	20,726	**20,741**	20,726

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 17.99% (2011:17.99%), payable monthly.

Foreign Currency Overdraft Limit

Forestry Tasmania has a US$2.0 million foreign currency overdraft to facilitate foreign currency dealings (2011: $2.0 million).

25 Interest bearing liabilities (continued)

Loan Facility - Secured

Forestry Tasmania has no long term fixed borrowings, (2011: $11.0 million). Current borrowings bear interest on a fixed rate with the interest charged on a six monthly basis. The loans are secured by a floating charge over Forestry Tasmania's trade and other receivables. Refer to note 15 for the carrying amount of trade and other receivables which Forestry Tasmania have pledged as security.

Forestry Tasmania's interest bearing liabilities is a fixed loan held with Tascorp. Loans that are due to be repaid or renegotiated in the ensuing twelve month period are classified as current.

The Treasurer has provided a Letter of Comfort to Tascorp to support Forestry Tasmania's borrowing limit of $31 million.

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, which is to May 2033. The interest rate is fixed at 8.4% per annum.

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
26 Obligations for non-commercial forest zones				
Current	**2,288**	1,463	**2,288**	1,463
Non-current	**53,012**	55,637	**53,012**	55,637
	55,300	57,100	**55,300**	57,100

Identified costs and revenues associated with formal reserves and special timber zones, were analysed by Sewall as part of their valuation project in 2012. These two zones are together referred to as 'non-commercial zones'. Sewall's discounted cash flow analysis determined an 'Obligation Liability' based on the net costs incurred by Forestry Tasmania in maintaining these zones in accordance with the Forestry Act.

	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent Entity 2012 $'000	Parent Entity 2011 $'000
27 Employee benefits				
Current				
Annual leave	**1,295**	1,317	**1,295**	1,317
Long service leave	**3,294**	2,647	**3,294**	2,647
Superannuation (see note below)	**5,348**	4,556	**5,348**	4,556
Workers compensation	**707**	979	**707**	979
	10,644	9,499	**10,644**	9,499
Non-current				
Long service leave	**297**	911	**297**	911
Superannuation (see note below)	**160,588**	117,898	**160,588**	117,898
	160,885	118,809	**160,885**	118,809

	2012	2011
Information in this note applies equally to the consolidated and parent entity.		
Assumed rate of increase in wages and salaries rates	**3.5%**	4.5%
Discount rate used in the calculation of the long service leave provision ranges from 3.22% to 3.70% (2011 range 4.78% to 5.24%).		
Settlement terms (years) – long service leave	**10 years**	10-15 years

27 Employee benefits (continued)

(a) Superannuation liability

	2012 $'000	2011 $'000
Key assumptions		
Discount rate:		
Gross of tax	**3.50%**	5.55%
Net of tax	**3.45%**	5.50%
Salary rate	**3.50%**	4.50%
Expected return on plan assets (net of tax)	**7.50%**	7.50%
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.

	2012 $'000	2011 $'000
Plan assets – asset disclosure		
Australian equities	**29.00%**	25.00%
Overseas equities	**18.00%**	22.00%
Fixed interest securities	**12.00%**	13.00%
Property and infrastructure	**33.00%**	19.00%
Alternatives	**5.00%**	18.00%
Other	**3.00%**	3.00%
Statement of Financial Position results – net liability		
Defined benefit obligation	**197,907**	154,723
Total defined benefit obligations	**197,907**	154,723
Fair value of RBF contributory scheme assets	**(31,971)**	(32,269)
Total net liability	**165,936**	122,454
Current net liability	**5,348**	4,556
Non-current net liability	**160,588**	117,898
Total net liability	**165,936**	122,454
Movement in net liability		
Net liability/(asset) in Statement of Financial Position at end of prior year	**122,454**	122,415
Expense recognised in Statement of Comprehensive Income	**52,674**	5,510
Actual employer contributions	**(9,192)**	(5,471)
Net liability/(asset) in Statement of Financial Position at end of year	**165,936**	122,454
Statement of Comprehensive Income results		
Employer service cost	**2,487**	2,858
Total employer service cost	**2,487**	2,858
Interest cost	**8,326**	8,165
Expected return on plan assets	**(2,358)**	(2,281)
Recognised actuarial (gains)/losses	**44,219**	(3,232)
Expense recognised in Statement of Comprehensive Income	**52,674**	5,510

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

27 Employee benefits (continued)

Reconciliations

	2012 $'000	2011 $'000
Changes in the fair value of plan assets		
Fair value of plan assets at end of prior year	**32,269**	33,313
Estimated employer contributions	**9,192**	5,471
Estimated participant contributions	**764**	884
Estimated operating costs	**(321)**	(323)
Estimated benefit payments	**(13,458)**	(8,115)
Expected return on assets	**2,358**	2,281
Actuarial (gain)/losses	**1,167**	(1,242)
Fair value plan assets at year end	**31,971**	32,269
Changes in the defined benefit obligation (inclusive of contributions tax for disclosure purposes)		
Defined benefit obligations at end of prior year	**154,723**	155,728
Employer service cost	**2,487**	2,858
Interest cost	**8,326**	8,165
Estimated participant contributions	**764**	884
Estimated operating costs	**(321)**	(323)
Estimated benefit payments contributions tax	**(13,458)**	(8,115)
Expected defined benefit obligations at year end	**152,521**	159,197
Actuarial (gain)/losses	**45,386**	(4,474)
Present value of defined benefit obligations at year end	**197,907**	154,723
Contributions tax		
Defined benefit obligations at end of prior year	**197,907**	154,723
Fair value Plan assets at end of prior year	**(31,971)**	(32,269)
Net obligation	**165,936**	122,454
Reconciliation of actuarial (gain)/loss		
Actuarial (gain)/loss on fair value of plan assets	**(1,167)**	1,242
Actuarial (gain)/loss on defined benefit obligation	**45,386**	(4,474)
Amount recognised during year in Comprehensive Income Statement	**(44,218)**	3,233
Unrecognised actuarial (gain)/loss at end of year	**-**	-
Interest cost		
Defined benefit obligations at end of prior year	**154,723**	155,728
Actual benefit payments	**6,669**	6,211
Weighted for timing	**(3,335)**	(3,106)
Average benefit obligations	**151,388**	152,622
Discount rate	**5.5%**	5.4%
Calculated interest cost	**8,326**	8,165
Interest cost used in calculation	**8,326**	8,165

27 Employee benefits (continued)

	2012 $'000	2011 $'000
Expected return on assets		
Fair value of plan assets at end of prior year	**32,269**	33,313
Expected employer contributions	**4,556**	4,187
Weighted for timing	**2,278**	2,094
Expected participant contributions	**764**	884
Weighted for timing	**382**	442
Expected operating costs	**(321)**	(323)
Weighted for timing	**(161)**	(162)
Expected benefit payments	**(6,669)**	(6,211)
Weighted for timing	**(3,335)**	(3,106)
Average expected assets	**31,434**	32,581
Assumed rate of return	**7.5%**	7.0%
Calculated expected return on assets	**2,358**	2,281
Expected return on assets used in calculation	**2,358**	2,281

History

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

	30 June 2012	30 June 2011	30 June 2010	30 June 2009	30 June 2008
Total defined benefit obligation at year end	**197,907**	154,723	155,728	141,647	134,093
Actual assets at year end	**(31,971)**	(32,269)	(33,313)	(32,572)	(34,603)
Deficit/(Surplus)	**165,936**	122,454	122,415	109,075	99,490
Experience adjustment on liabilities	**(584)**	(1,340)	1,112	17,588	517
Experience adjustment on assets	**(1,167)**	1,242	(37)	3,788	5,333

	2012 $'000	2011 $'000
Actual return on plan assets	**3,524**	**1,039**
Expected contributions (30 June 2013)	**5,348**	

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000

28 Expenditure commitments

Operating expenditure commitments

(a) Operating leases

Leases as lessee

	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent Entity 2012 $'000	Parent Entity 2011 $'000
Non-cancellable operating lease rentals are payable as follows:				
Not longer than one year	**4,014**	3,957	**4,014**	3,957
Longer than one year but not longer than five years	**11,958**	11,640	**11,958**	11,640
Later than five years	**16,135**	14,949	**16,135**	14,949
	32,107	30,546	**32,107**	30,546

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

(b) Finance lease

Finance lease liabilities of the Group are payable as follows:

	Consolidated ($000)		
	Future minimum lease payments	Interest	Present value of minimum lease payments
2012			
Not longer than one year	1,170	(959)	211
Between one and two years	2,340	(1,861)	479
Between three and five years	3,511	(2,623)	888
Later than five years	17,456	(7,521)	9,935
	24,477	**(12,964)**	**11,513**
2011			
Not longer than one year	1,170	(976)	194
Between one and two years	2,340	(1,900)	440
Between three and five years	3,511	(2,694)	817
Later than five years	18,626	(8,371)	10,255
	25,647	**(13,941)**	**11,706**

The finance lease is between Newood Holdings Pty Ltd and Transend Network Pty Ltd and relates 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 Organisation does not have any finance lease liabilities.

28 Expenditure commitments (continued)

	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent Entity 2012 $'000	Parent Entity 2011 $'000
(c) Capital expenditure commitments				
Plantation establishment				
Not longer than one year	**6,759**	9,007	**6,759**	9,007
Between one and five years	**23,198**	25,745	**23,198**	25,745
	29,957	34,752	**29,957**	34,752
Road construction				
Not longer than one year	**411**	266	**411**	266
Construction contracts				
Not longer than one year	**-**	1	**-**	1

29 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 2012.

30 Controlled entities

	Country of incorporation	Percentage of Shares 2012	Percentage of Shares 2011
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.

31 Related party information

	Sales to related parties 2012 $'000	Sales to related parties 2011 $'000	Purchases from related parties 2012 $'000	Purchases from related parties 2011 $'000	Amounts owed by related parties 2012 $'000	Amounts owed by related parties 2011 $'000	Amounts owed to related parties 2012 $'000	Amounts owed to related parties 2011 $'000
Consolidated								
Softwood joint venture	**596**	5,732	**-**	-	**0**	12	**-**	-
Hollybank Treetops Adventure Pty Ltd	**-**	-	**-**	-	**8**	6	**-**	-
Parent								
Softwood joint venture	**596**	5,732	**-**	-	**-**	12	**-**	-
Hollybank Treetops Adventure Pty Ltd	**-**	-	**-**	-	**8**	6	**-**	-
Newood Holdings Pty Ltd	**79**	196	**306**	89	**4,883**	3,984	**1,144**	798

Softwood joint venture sales are comprised of roading services and silvicultural work under a services agreement. The amount shown represents sales to the joint venture until the date of disposal of the joint venture only.

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.

32 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 17.

Up until 30 January 2012, Forestry Tasmania held 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 were items which represented Forestry Tasmania's interest in the joint venture. Those assets and liabilities were sold or distributed.

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Current assets				
Cash	-	4,268	-	4,268
Receivables	-	5,423	-	5,423
Inventories	-	147	-	147
Total current assets	-	9,838	-	9,838
Non-current assets				
Biological assets	-	85,650	-	85,650
Total non-current assets	-	85,650	-	85,650
Total assets	-	95,488	-	95,488
Current liabilities				
Payables	-	1,587	-	1,587
Total current liabilities	-	1,587	-	1,587
Total liabilities	-	1,587	-	1,587

33 Key management personnel compensation and other disclosures

During the year, the Board of Directors of Forestry Tasmania was comprised of 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 Team of Forestry Tasmania (2012: 8 members) (2011: 10 members). The Remuneration Committee of the Board is responsible for determining and reviewing compensation arrangements for members of the General Management Team.

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

Short term employee benefits	**1,907**	2,272	**1,907**	2,272
Post employment benefits	**184**	217	**184**	217
Other long term employee benefits	**30**	37	**30**	37
Termination benefits	-	60	-	60
Total	**2,121**	2,586	**2,121**	2,586

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 2011/12. During 2011/12 Dr Elliott was paid $nil (2011:$1,500).

34 Auditors' remuneration

Amounts paid and payable to the Tasmanian Audit Office for auditing the financial statements of Forestry Tasmania	**109**	105	**109**	105
Amounts paid and payable to other service providers for internal and other regulatory audit services	**150**	157	**150**	157

35 Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Organisation to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

36 Financial instruments disclosure

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 presents information about the Group'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 Management 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 Management Committee oversees how management monitors compliance with the Organisation'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, and it updates its business risk register as required but at least annually.

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, investment securities and cash holdings with financial institutions.

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 2006-07 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.

Forestry Tasmania's current credit rating is BB-.

The Board monitors the level of dividends payable to the shareholder and the Organisation'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 CSO's. Net debt and interest coverage ratios exclude the movement in and the balance of the unfunded superannuation liability.

(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 25, the unfunded superannuation liability disclosed in note 27, cash and cash equivalents and the superannuation investment disclosed in note 22.

In 2006-07 the Corporation undertook a capital structure review completed by an independent party. The corporation's objective is to achieve a BBB credit rating as agreed with the shareholder. The shareholder is considering the appropriate capital structure as part of its strategic review process.

36 Financial instruments disclosure (continued)

		Consolidated		Parent Entity	
		2012	2011	2012	2011
	Note	$000	$000	$000	$000
(b) Categories of financial instruments					
Financial assets					
Fair value through profit or loss – held for trading	22	**575**	570	**575**	632
Loans and receivables	15	**25,642**	34,778	**29,283**	38,260
Cash and cash equivalents	14(a)	**12,283**	9,365	**12,282**	9,291
Financial liabilities					
Financial liabilities measured at amortised cost	23, 25	**(34,970)**	(67,492)	**(24,590)**	(56,400)

(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:

		2012	2011
		$'000	$'000
Cash	14	**12,283**	9,365
Trade and other receivables	15	**25,642**	34,778
Other financial assets	22	**575**	570
Total financial assets		**38,500**	44,713

Trade receivables

Forestry Tasmania's principal credit risk arises from non payment of trade and other receivables. 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. Detailed debtor reports are reviewed by the Board of Directors on a monthly basis.

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 Malaysia. 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 has two major customers for the domestic sale of forest products which together represented 2012: 58% (2011: 83%) of total forest product sales.

36 Financial instruments disclosure (continued)

The Group's debtors ageing analysis at reporting date are:

	Consolidated 2012 $'000				
	Not past due	Past due			
	Current	30 days	60 days	90 days plus	Total
Forest sales trade debtors	**2,923**	**3,486**	**3,754**	**7,753**	**17,916**
General trade debtors	**8,971**	**2,405**	**274**	**2,992**	**14,642**
Total trade debtors	**11,894**	**5,891**	**4,028**	**10,745**	**32,558**
Forest sales provision for impairment	**-**	**-**	**-**	**(6,843)**	**(6,843)**
General trade debtors provision for impairment	**(28)**	**(56)**	**-**	**(1,215)**	**(1,299)**
Total impairment of receivables	**(28)**	**(56)**	**-**	**(8,058)**	**(8,142)**
Total	**11,866**	**5,835**	**4,028**	**2,687**	**24,416**

	Consolidated 2011 $'000				
	Not past due	Past due			
	Current	30 days	60 days	90 days plus	Total
Forest sales trade debtors	6,691	7,538	4,880	15,047	34,156
General trade debtors	1,126	2,220	214	1,715	5,275
Total trade debtors	7,817	9,758	5,094	16,762	39,431
Forest sales provision for impairment	-	-	-	(10,725)	(10,725)
General trade debtors provision for impairment	(32)	(30)	(90)	(789)	(941)
Total impairment of receivables	(32)	(30)	(90)	(11,514)	(11,666)
Total	7,785	9,728	5,004	5,248	27,765

Impairment provisioning recognised

Forestry Tasmania has recognised impairment provisions relating to loans and receivables.

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Balance as at 1 July	**(11,666)**	(1,265)	**(10,991)**	(985)
Recovery of prior year impairments	**9,881**	-	**9,881**	-
Impairment loss recognised	**(6,357)**	(10,401)	**(6,000)**	(10,006)
Balance as at 30 June	**(8,142)**	(11,666)	**(7,110)**	(10,991)

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 the Group'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
2012						
Trade and other payables	0.00%	-	12,431	-	-	10
Finance lease liability	8.40%	-	228	479	888	9,935
Interest bearing liabilities – fixed	5.71%	-	11,000	-	-	-
2011						
Trade and other payables	0.00%	-	14,976	-	-	10
Finance lease liability	8.40%	-	194	441	816	10,255
Interest bearing liabilities – variable	5.39%	-	29,994	-	-	-
Interest bearing liabilities – fixed	5.71%	-	-	11,000	-	-

Parent Entity
$'000

	Weighted average interest rate	Less than 1 month	1-12 months	1-2 years	2-5 years	More than 5 years
2012						
Trade and other payables	0.00%	-	12,446	-	-	-
Interest bearing liabilities – fixed	5.71%	-	11,000	-	-	-
2011						
Trade and other payables	0.00%	-	14,802	-	-	-
Interest bearing liabilities – variable	5.39%	-	29,800	-	-	-
Interest bearing liabilities – fixed	5.71%	-	-	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 be renegotiated. Advice on future interest rate movements is independently sourced to assist the Board with their decisions in relating to interest bearing liabilities.

36 Financial instruments disclosure (continued)

(e) Market risk

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

	Consolidated $'000				Parent Entity $'000			
	2012		2011		2012		2011	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets designated at fair value through profit or loss	575	575	570	570	575	575	632	632
Loans and receivables	25,642	25,642	34,778	34,778	29,283	29,283	38,260	38,260
Cash and cash equivalents	12,283	12,283	9,365	9,365	12,282	12,282	9,291	9,291
Trade and other payables	(12,441)	(12,441)	(14,986)	(14,986)	(13,590)	(13,590)	(15,600)	(15,600)
Finance lease liability	(11,529)	(11,529)	(11,706)	(11,706)	-	-	-	-
Interest bearing liabilities – variable	-	-	(29,800)	(29,800)	-	-	(29,800)	(29,800)
Interest bearing liabilities – fixed	(11,000)	(11,000)	(11,000)	(11,000)	(11,000)	(11,000)	(11,000)	(11,000)
Total	**3,530**	**3,530**	**(22,779)**	**(22,779)**	**17,550**	**17,550**	**(8,217)**	**(8,217)**

Exposure to currency risk

Forestry Tasmania's policy is to use foreign currency risk management instruments in compliance with Forestry Tasmania's Foreign Exchange Policy. As at the 30 June 2012, there were AUD $7.300 million of foreign currency forward exchange contracts in place (2011: AUD $3.017 million).

Forestry Tasmania accounts for forward exchange contracts as financial assets or liabilities at fair value through the Statement of Comprehensive Income.

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 2012 was USD $0.008 million (2011: USD $0.070 million).

Investments

Forestry Tasmania had an investment portfolio which comprised fixed interest, Australian equities, overseas equities and property, which were realised in full during the year.

Interest bearing liabilities - fixed

Borrowings undertaken by the organisation are at a fixed interest rate.

(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

36 Financial instruments disclosure (continued)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Consolidated	-	-	-	-
30 June 2012	-	-	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-
Financial assets held for trading	-	-	-	-
Derivative financial assets	-	-	-	-
	-	-	-	-
Derivative financial liabilities	-		-	
	-	-	-	-
30 June 2011				
Financial assets designated at fair value through profit or loss	-	-	-	-
Financial assets held for trading	7,147	-	-	7,147
Derivative financial assets	-	-	-	-
	7,147	-	-	7,147
Derivative financial liabilities	-	-	-	
	7,147	-	-	7,147
Parent Entity				
30 June 2012				
Financial assets designated at fair value through profit or loss	-	-	-	-
Financial assets held for trading	-	-	-	-
Derivative financial assets	-	-	-	-
	-	-	-	-
Derivative financial liabilities	-	-	-	
	-	-	-	-
30 June 2011				
Financial assets designated at fair value through profit or loss	-	-	-	-
Financial assets held for trading	7,147	-	-	7,147
Derivative financial assets	-	-	-	-
	7,147	-	-	7,147
Derivative financial liabilities	-	-	-	
	7,147	-	-	7,147

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

37 Geographical Information

All non-current assets are located within Australia.

		Consolidated		Parent Entity	
		2012	2011	2012	2011
	Note	$'000	$'000	$'000	$'000
Revenue					
Australia		**75,858**	144,153	**74,142**	141,611
Asia		**16,775**	10,616	**16,775**	10,616
Equity-accounted investees	9	**10,851**	21,199	**10,851**	21,199
Total Revenue		**103,484**	175,968	**101,768**	173,426

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 Enterprise 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 2011-12 financial year and the financial position as at 30 June 2012, of the Enterprise and its subsidiaries and

   (ii) complying with Australian Accounting Standards and Interpretations and with the Treasurer's Instructions.

b) there are reasonable grounds to believe that the Enterprise 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 Officer of the Enterprise:

   (i) the financial records of the Enterprise for the 2011-12 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 2011-12 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 2011-12 financial year give a true and fair view.

Signed in accordance with a resolution of the directors.

………………………………
Adrian Kloeden
Chairman
9 August 2012

………………………………..
Robert L Gordon
Managing Director
9 August 2012

Tasmanian Audit Office

INDEPENDENT AUDITOR'S REPORT

To Members of the Parliament of Tasmania

Forestry Tasmania

Financial Report for the Year Ended 30 June 2012

Report on the Financial Report

I have audited the accompanying consolidated financial report of Forestry Tasmania, which comprises the statement of financial position as at 30 June 2012 and the statements of comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the statement by the directors' on the financial report of the consolidated entity comprising Forestry Tasmania and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion:

(a) the Forestry Tasmania's financial report:

(i) presents fairly, in all material respects, the consolidated entity's financial position as at 30 June 2012, and its 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.

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

Emphasis of Matter

I draw attention to Note 2(b) to the financial report which describes circumstances giving rise to uncertainties as to the operations of Forestry Tasmania, the assessment by the directors and their conclusion that it is appropriate for Forestry Tasmania to continue to adopt the going concern basis in preparing this financial report. My audit opinion is not qualified in respect of these matters.

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 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

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Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report 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 the directors' 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 Tasmania's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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 was provided to the directors on the same date as this audit opinion and is included in the Annual Report.

TASMANIAN AUDIT OFFICE

H M Blake
AUDITOR-GENERAL

HOBART
9 August 2012

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auditor's INDEPENDENCE DECLARATION

9 August 2012

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 2012, I declare 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 with the Audit and Risk Management Committee, a copy of this declaration must 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 directors at 30 June 2012 have been appointed in accordance with the Forestry Act and their responsibilities are outlined in the *Government Business Enterprises Act 1995*. The appointment of Robert Smith and all 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
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 Smith – BscFor (Hons) *ANU*, MSc (ResEcon) *Purdue*, PhD *Purdue*, MBA *Macquarie*
Robert L Gordon – BSc, MIFA, MAICD, FAMII

Deborah Radford – BEc *LaTrobe*, GradDipFin&Inv SecInstAust (retired 30 June 2012)

Secretary to the Board
Sue Shoobridge – BCom, FCPA, FAICD

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 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 Management 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 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, S. Shoobridge, 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), H Elliott, G Coffey, M Hampton, D Radford (until 30 June 2012)

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
Attendees: J Hickey, L Burgess, M Farrow

Finance Committee

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

Members: G Coffey (chair), A Kloeden, D Radford (until 30 June 2012)
Attendees: R Gordon, S. Shoobridge

		Board Meetings		Audit Risk and Management Committee		ES&H Committee		Finance Committee		Remuneration and Board Nominations Committee	
	Director since	Eligible	Number	Eligible	Number	Eligible	Number	Eligible	Number	Eligible	Number
A Kloeden	Jul 2000	26	26	4	3			2	2	2	2
H Elliott	Nov 2001	26	23			4	4			2	2
D Radford	Jul 2003	26	22					2	1	2	2
G Coffey	Jul 2007	26	26	4	4			2	2	2	2
M Hampton	Jul 2007	26	26	4	4	4	4			2	2
R Gordon	Jan 2007	26	26	4	3	4	4	2	2	2	2

legislative AND POLICY COMPLIANCE

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

- *Anti Discrimination Act 1998* (Tas)
- *Equal Opportunity for Women in the Workplace Act 1999* (Cwlth)
- *Fair Work Act 2009* (Cwlth)
- *Forest Practices Act 1985* (Tas)
- *Forestry Act 1920* (Tas)
- *Government Business Enterprises Act 1995* (Tas)
- *National Vocational Education and Training Regulator Act 2011* (Cwlth)
- *Personal Information Protection Act 2004* (Tas)
- *Public Land (Administration & Forests) Act 1991* (Tas)
- *Right to Information Act 2009* (Tas)
- *The Tasmanian Regional Forest Agreement 1997* (Tas)
- *Timber Promotion Act 1970* (Tas)
- *Trade Practices Act 1974* (Cwlth)
- *Tasmanian Community Forest Agreement 2005* (Tas)
- *Vocational Education and Training Act 1994* (Tas)
- *Workers Rehabilitation and Compensation Act 1988* (Tas)
- *Workplace Health and Safety Act 1995* (Tas)

Forestry Tasmania's Statement of Corporate Intent

It is a requirement for government business enterprises to include a Statement of Corporate Intent. However, the Premier and Treasurer has advised that it would be inappropriate to finalise a Statement of Corporate Intent at this time, because of the current level of uncertainty facing the business. The Treasurer has therefore exempted Forestry Tasmania from the requirements of the Treasurer's Instructions (GBE 08-55-04) to include the Corporate Intent statement in this year's report.

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

No dividend is proposed for the year ended 30 June 2012.

Performance of business against targets

These sustainable forest management objectives and the performance for the year ended 30 June 2012 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 60 purchase orders during 2011-12 valued at more than $50,000, with a total value of $5.9 million. 55 of these purchase orders were with Tasmanian suppliers for a total value of $5.6 million.

Bob Gordon
Managing Director