



Forests NSW Annual Report 2008–09

Social, Environmental and Economic Performance

Forests NSW is a public trading enterprise within
NSW Department of Primary Industries

Letter to the Minister

The Hon Ian Macdonald, MLC
Minister for Primary Industries
Minister for Energy
Minister for Mineral Resources
Minister for State Development

Level 33 Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000



Dear Minister

I am pleased to submit for presentation to Parliament the Annual Report of Forests NSW for the period 1 July 2008 to 30 June 2009. The report complies with the requirements of the *Annual Reports (Statutory Bodies) Act 1984*, and the *Public Finance and Audit Act 1983*. Copies have been made available for tabling in Parliament.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nick Roberts', written over a light blue horizontal line.

Nick Roberts
Chief Executive Officer
Forests NSW

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(Part 2 is primarily available as a PDF only from www.dpi.nsw.gov.au)

Acknowledgements

This report was written and compiled by Forests NSW. The project team was:

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Morgan Roche and Ann Denlow

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Photography
Forests NSW Image Library, David Barnes, iStockphoto and Lochman Transparencies

This report represents a combined effort of Forests NSW corporate and operational branches in terms of data collection and content.

Thanks to all employees who contributed this year and to those who gave feedback.

An electronic version of this and previous Forests NSW Reports is available from the Forests NSW webpages: www.dpi.nsw.gov.au/forests

To provide feedback or obtain further copies of this report contact Forests NSW Information Centre on:

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Job No. 9456 November 2009

In the interest of protecting and preserving our environment, Forests NSW has used Nordset paper which is made with fibre obtained from sustainably managed forests, it is oxygen bleached, Totally Chlorine Free (TCF), dioxin and acid free.

Overview

Forests NSW is the custodian of over 2.4 million hectares of native and planted forest and has a long and proud history of managing this natural resource, while providing the people of NSW with a range of benefits. This report accounts for our social, environmental and economic performance in providing these benefits and managing forests over the past year. It also examines how we intend to improve on this performance.

In the area of health and safety Forests NSW was recognised during the year by WorkCover NSW for meeting the high standards of its rigorous self-insurers audit. This is the second consecutive year of successful audits, cementing Forests NSW commitment to improving safety performance. A recognised indicator of safety performance is the recordable incident rate, which fell by 58 percent over last year to 4.9, which is a pleasing improvement but still a way off our target rate of less than one.

The year will be remembered for the global financial crisis, which saw a slump in demand for many timber products. In addition to this challenge, exceptionally wet conditions and flooding on the north coast during the first quarter of 2009 added to operating costs. Also, additional expenses were recorded in accounting policy changes (disclosed in Note 3 to Financial Statements, see Part 2 of this report). Despite management efforts to mitigate these effects on the business it is still disappointing to report a trading loss of \$16.4M (page 8).

During the year, Forests NSW moved to value its forests using a discounted cash flow rather than the liquidation methodology previously used. This new approach will increase the confidence in the valuation of our forests and is consistent with Australian Accounting Standards and world wide industry trends. In addition, non-forest asset values have been adjusted to better reflect market worth, which contributed to the accounting loss.

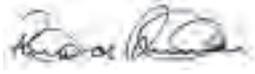
Coupled with the issues affecting the trading result, these changes have lead to an overall loss before tax of \$46.7M. It is noteworthy that this is an accounting or paper loss. Importantly, Forests NSW has moved to significantly improve its cash management which saw the business generate a \$7M cash surplus for the year, \$5M of which was used to pay down debt with the expectation of further debt reductions in the year ahead.

Earlier this year the Auditor-General conducted a performance audit to assess Forests NSW ability to identify the availability of native forest and plantation hardwood for harvesting and whether this volume is sufficient to meet timber supply. The audit found that Forests NSW has an adequate estimate of the quantity of native timber available and that there should be sufficient timber in State forests to meet current wood supply commitments. The report made nine recommendations on systems improvements to better monitor and report native forest growth, yield and business risk. Forests NSW has accepted the recommendations and is meeting an agreed schedule to implement them.

An independent environmental impact statement of forest operations in the red gum forests of the south west of the state was completed on schedule and released for public comment. The statement concluded that there is unlikely to be a significant impact through the continued forest operations on the majority of threatened species populations or endangered ecological communities or their habitats known to occur in the study area.

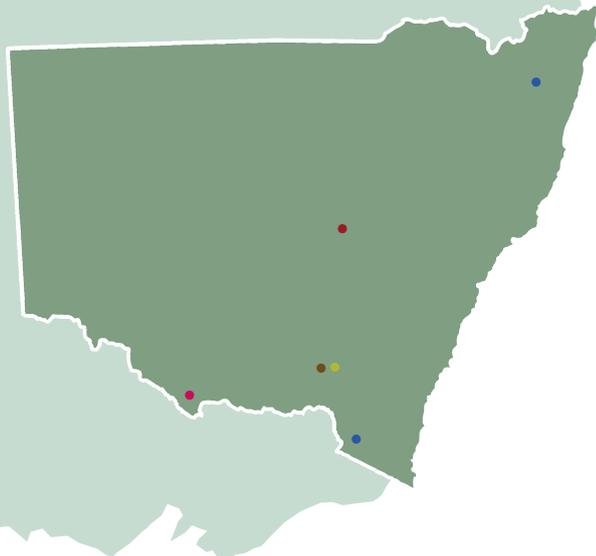
While this year has presented many challenges for Forests NSW the organisation has achieved significant successes. We acknowledge and thank Forests NSW staff for their contribution to these results and look forward to working together in achieving the targets and goals outlined in this report.




Richard Sheldrake
Commissioner for Forests
Director-General
NSW Department of Primary Industries




Nick Roberts
Chief Executive Officer
Forests NSW



Highlights

- Passed WorkCover NSW self insurers audit
- Re-establishment of 9 000 ha of plantations with industry partners
- Seedling nursery upgrade
- Completed environmental impact statement
- Expanded supply commitment to Visy by 300 000 tonnes



Forests NSW

A leader in safe, ecologically sustainable forest management

Forests NSW is the registered business name of the Forestry Commission of New South Wales. The Forestry Commission is constituted under the *Forestry Act 1916*, and is subject to the direction of the responsible Minister. We also administer the *Timber Marketing Act 1977*, which provides for control of the sale and use of certain timbers in NSW.

Our mission is to be the best and safest commercial forest manager in Australasia. To achieve this we will provide safe and cost-effective forest management services to the Government and people of NSW and independent investors, while increasing the value of their investment.

Forests NSW manages 1.9 million hectares within the public native forest estate and an additional 0.5 million hectares within the planted forest estate, of which over 210 000 hectares are retained native vegetation. As well as managing these forests we also provide services in private forest harvest planning, plantation establishment, carbon emissions trading, bioenergy and land repair. Forest products and services are supplied by Forests NSW to a wide range of valued customers located within NSW, across Australia and overseas. A committed group of contractors and consultants are engaged by Forests NSW to deliver these products and services and to maintain and develop the forest estate for the benefit of the people of NSW.

As public land managers we receive funding from the NSW Government to provide specific public services, such as education and recreational facilities. However our primary source of funds is through revenue associated with the services we provide and the sale of timber.

Forests NSW operates as a public trading enterprise within NSW Department of Primary Industries (NSW DPI). The objects or purposes of the Forestry Commission are set out in the *Forestry Act 1916*. The Commission is required to:

- conserve and utilise timber under its management to the best advantage of the State;
- provide adequate supplies of timber for building, commercial, industrial, agricultural, mining and domestic purposes;
- preserve and improve, in accordance with good forestry practice, the soil resources and water catchment capabilities of lands under its management;
- encourage the use of timber derived from trees grown in the State;
- preserve the native flora, promote and encourage the use of State forests for recreation, and conserve birds and animals, consistent with the use of State forests for the purposes of forestry and of flora reserves;
- provide natural resource environmental services (whether within or outside of New South Wales); and
- take all practical steps to ensure the preservation and enhancement of the quality of the environment.

Organisational structure

During the year Ian Brown was appointed as Director, Planted Forests Operations and Sean Hooper was appointed as Director, Financial & Operational Business Services. Overall the Senior Management Team has over 125 years of combined international and local forestry experience and 60 years of professional management and government experience.



Minister for Primary Industries
The Hon. Ian Macdonald, MLC



Director-General
Department of Primary Industries
Commissioner for Forests
Dr Richard Sheldrake

Chief Executive Officer
Forests NSW
Nick Roberts

**Office of the CEO
Rahmat Khaiami**

- Regulatory Reporting
- Audit & Risk Management
- Performance Reporting
- Freedom of Information
- Policy & Ministerial Liaison
- Projects, Planning & Secretariat

Financial & Operational Business Services

Sean Hooper

- Business Services
- Finance
- Information Technology
- Workshops

**Commercial Services
Dean Anderson**

- Contract & Sales Administration
- Carbon & Investor Sales
- Hardwood Sales
- Legal
- Market & Business Analysis
- Softwood Sales
- Timber Inspection

**Human Resources
Della Farthing**

- Administration & Projects
- Industrial Relations Operations
- Organisation Development & Training
- Safety
- Workers Compensation

**Land Management & Forestry Services
Ross Dickson**

- Amenity Nurseries
- Assets
- Community Programs
- Fire
- Forest Information & Planning
- Production Nurseries
- Tree & Plantation Improvement

**Planted Forests Operations
Ian Brown**

- Regional Operations
- Hume (Tumut)
 - Macquarie (Bathurst)
 - Monaro (Bombala)
 - Northern (Grafton)

**Native Forests Operations
Erle Robinson**

- Regional Operations
- Central (Wauchope)
 - North East (Coffs Harbour)
 - Southern (Batemans Bay)
 - Western (Dubbo)



Communicating our performance

Sustaining forest values now and into the future is a day-to-day challenge for responsible forest managers across the globe. We, as the managers of NSW State forests, take our role as a leader in sustainable forest management and in reporting to the community very seriously.

In previous years Forests NSW has produced a separate sustainability report called the *Seeing Report*. This year we have produced one combined annual report on our social, environmental and economic performance.

In order to make the best use of valuable paper resources and keep costs down, this report has been produced in two parts. This first part contains all the content you may be familiar with from the *Seeing Report*. Both parts will be produced in a small print run, which will be presented to the NSW Parliament as part of our Statutory reporting obligations. The full report is also available from our web site, along with supplementary material.

Forests NSW sustainability reporting

By producing our first annual sustainability report 11 years ago Forests NSW pioneered broader accountability towards its stakeholders. In recognition of this leading role Forests NSW *Seeing Report* was determined to represent best practice in 2005 by the NSW Legislative Assembly Public Accounts Committee following an inquiry into sustainability reporting in the NSW Public Sector. Last year's report was short-listed in the ACCA Sustainability Reporting Awards, excelling in the area of communication.

In a sense forestry has always been ahead of the crowd in terms of sustainability, as foresters have gone out to assess how much timber was in the forests and how much could be cut without reducing the overall volume. This first concept of sustainability has since been broadened to encompass social, environmental and economic spheres. This report uses indicators and

examples that tell us how we are performing across these three interdependent spheres¹.

The relevance of indicators to our social, environmental and economic performance has changed over time and, as part of the process of continual improvement, Forests NSW reviews and amends our suite of indicators to more closely align them with the International Montreal Process Criteria, GRI 3 Sustainability Reporting Guidelines¹ and business information requirements. Data relating to the indicators is found in the appendices of part one of this report.

Information on our policy framework, governance structure, codes of practice, the regulation of forestry activities and the full details of Forests NSW reporting framework can be found on the Forests NSW website at - www.dpi.nsw.gov.au/forests.

Independent review

NSW Auditor-General's office has audited the financial indicators within this report and reviewed the report for completeness. The independent auditor's reports can be found in part two of this report.

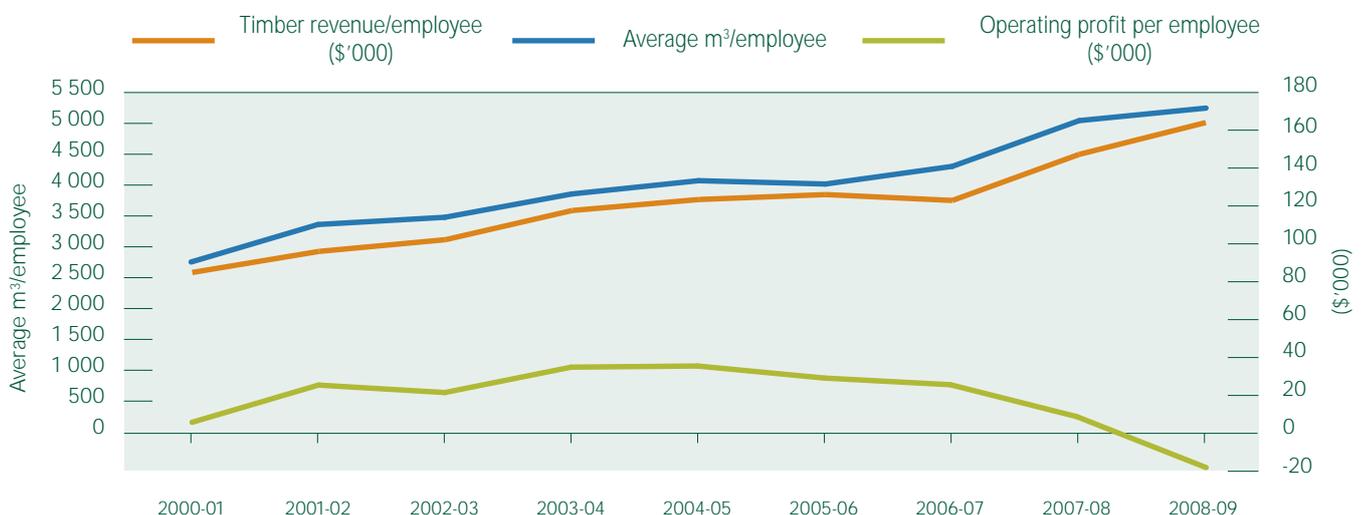
Symbol interpretation

Target achieved or maintained	●
On track to meeting target	○
Target not achieved – action required	●

More information available at: www.dpi.nsw.gov.au/forests

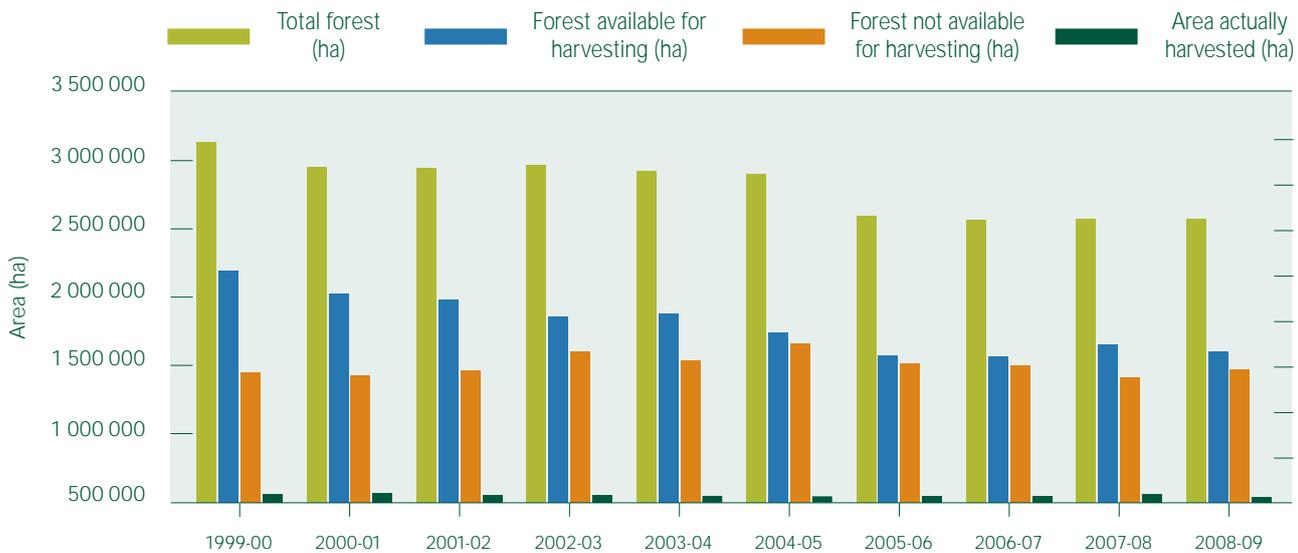
¹ The Global Reporting Initiative's (GRI) framework sets out the principles and indicators that organisations can use to measure and report their economic, environmental, and social performance. An assessment of how we meet these guidelines is available from our website.

Productivity measures



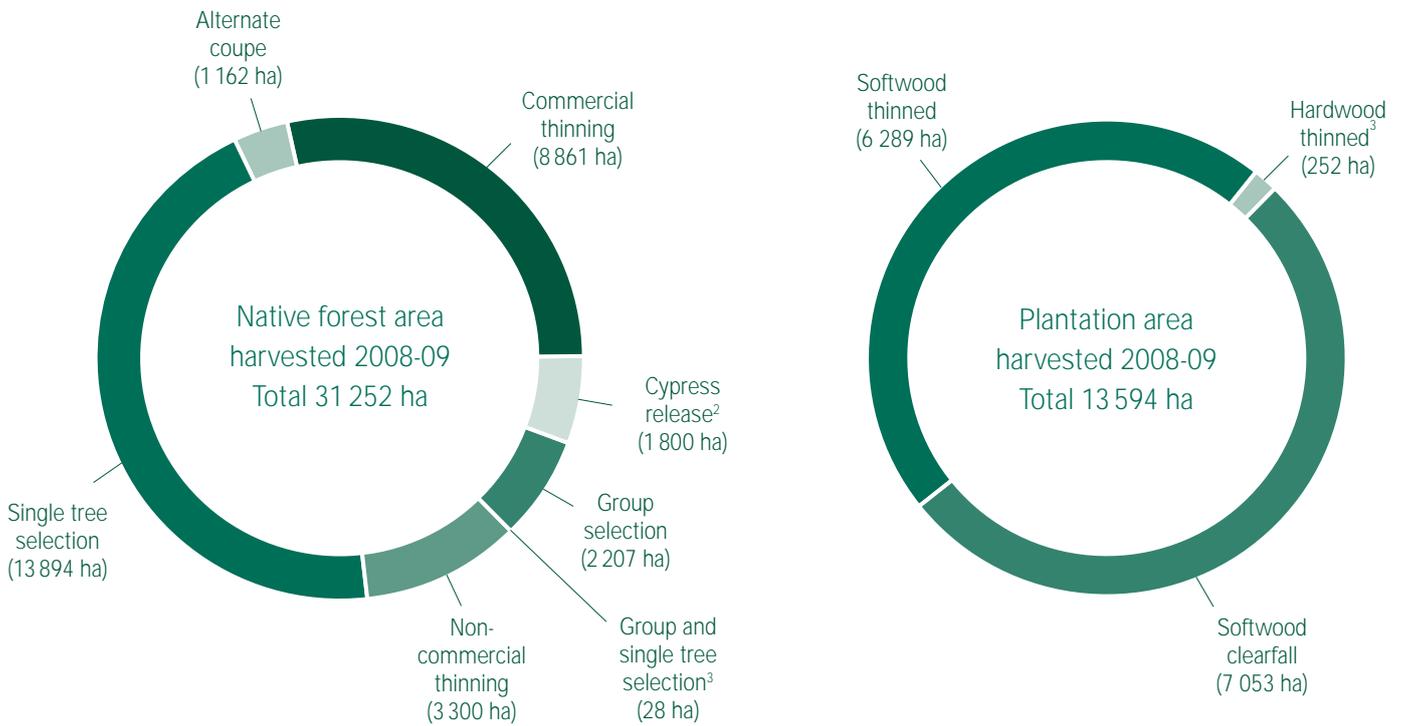
Information about changes in the number of Forest NSW employees is provided in Indicator 7 on page 38.

Total Forests NSW estate¹



¹ Due to an overcounting of native forest area within planted forest estate, the forest area has been restated (2.41 million hectares) for 2007-08

Types of harvesting undertaken by area¹



¹ Descriptions of the native forest harvest methods can be found in the Forests NSW Native Forest Silviculture Manual

² Western Region estimates. Non-commercial is defined as areas thinned according to silvicultural practices for the purpose of improving future productivity of a stand, but which do not yield a commercial product

³ Relates to post 1994 plantations only

Five year comparison as at 30 June 2009

	2005 \$'000	2006 \$'000	2007 \$'000	2008 \$'000	2009 \$'000
Revenue¹	247 546	259 747	270 550	293 795	286 259
Profit					
Trading profit ¹	36 819	31 116	28 037	14 499	(16 389)
Significant items and biological assets rev. ²	(29 163)	(19 696)	(166 357)	19 356	(30 284)
Profit/(Loss) from ordinary activities (before tax)	7 656	11 420	(138 320)	33 855	(46 673)
Distribution to Government					
Distribution payable	32 544	26 322	16 000	1 000	-
Capital expenditure	31 531	31 451	45 039	10 242	8 230
Balance sheet					
Value of biological assets ³	1 594 934	1 558 674	1 403 831	625 000	670 000
Total assets	2 643 403	2 528 907	2 703 913	1 891 823	1 871 865
Borrowings	138 062	138 276	159 743	169 489	165 209
Total equity ⁴	1 842 342	1 816 670	1 921 105	1 365 299	1 308 222
Ratios % (excl Abnormals & MVI)⁵					
Return on equity ¹	2.00%	1.71%	1.46%	1.06%	-1.25%
Return on assets ¹	1.39%	1.23%	1.04%	0.77%	-0.88%
Debt to equity	7.49%	7.61%	8.32%	12.41%	12.63%
Return on equity (including MVI)	-0.17%	-1.74%	-7.53%	3.13%	2.49%
Sawlogs ('000 of cubic metres)					
Native forest hardwood sawlogs	639	665	567	610	593
Plantation hardwood sawlogs	74	65	106	122	151
Plantation softwood sawlogs	1 829	1 964	1 955	2 071	1 918
Cypress pine sawlogs	94	71	58	49	56
Other products	90	57	48	47	161
Total	2 726	2 822	2 734	2 899	2 879
Pulp (tonnes)					
Native forest hardwood	468	504	552	500	465
Plantation hardwood pulpwood	36	40	65	77	99
Plantation softwood pulpwood	1 042	983	1 188	1 169	1 083
Total	1 546	1 527	1 805	1 746	1 647

¹ Exclusive of forest revaluation, asset impairments and superannuation fund interest and significant items

² Inclusive of forest revaluations, asset impairments and superannuation fund interest

³ Biological Assets represent the commercial value of Forests NSW timber resources

⁴ Australian Equivalents to International Accounting Standards (AEIFRS) was effective from 01 July 2004

⁵ Abnormals & Market Value Increment (MVI) relate to reorganisational costs and changes in the determined value of Forests NSW biological assets.

Summary of significant achievements

Social

- Reduction in recordable injuries of 58% over the previous period.
- Delivered a Truck Safety Program to over 400 harvest and haul contractor drivers.
- Delivered improved Management Development and Leadership Programs to over 60 potential or existing managers.
- Passed second consecutive WorkCover NSW self insurers audit undertaken in Macquarie Region.
- Held over 1 600 formal events in State forests, with \$2.4M spent on recreational service provision through Community Service Obligation (CSO) funding.

Environmental

- Completed the second phase of an upgrade to Blowering Nursery in Tumut. This has provided increased capacity and resulted in greater water efficiencies with an 80 megalitre reduction in water use over the previous year.
- Introduced significantly upgraded Geographic Information Systems (GIS) and an improved structure to deliver forest planning and information across the business.
- Completed a comprehensive environmental impact statement for native red gum and cypress forests in south-western NSW on schedule. The statement, prepared by independent consultants (costing over \$1M) with extensive cooperation from Forests NSW, was placed on public display on 1 June 2009.

Economic

- Introduced an integrated business planning, budget and expenditure control framework adding more rigorous analysis and structured decision-making processes for major expenditure.
- Executed contracts with Willmott Forests for the re-establishment of 4 500 hectares of softwood plantations over three years in the Bombala area and with Forest Enterprises Australia for the re-establishment of 4 500 hectares of hardwood plantation over three years in the north and northeast areas of the State following Expression of Interest processes.

Sustainability

- Reduced expected debt levels by \$5M and interest costs by \$2M
- Finalised arrangements for supply of an additional 300 000 tonnes of pulp log resource required for the Visy Pulp and Paper Mill at Tumut due to mill expansion.
- Introduced industry standard discounted cash flow valuation approach to natural forest and plantations, to increase the confidence in the valuation of our forests in the medium to long term.
- Maintained both the internationally recognised Environmental Management Systems standard ISO 14001:2004 and Australian forest management standard AS 4708:2007.



Corporate Business Strategy performance table

Key Result Area	Measure / Goal	DPI KRA	Target 2008-09	Target 2009-10	Performance
Focus	Ongoing improvement in safety results	3	Lost time incidents and recordable injuries less than 50 by June 2009	35% actual reduction on June 2009 for recordable injuries	The actual number of lost time incidents and recordable injuries was 42. This is a 58% reduction over 2007-08
	Meeting profitability and dividend targets as agreed with NSW Treasury	1	As per Statement of Business Intent		Targets not met. The global financial crisis resulted in a severe and protracted downturn in the housing market. Introduction of a rigorous planning and budget framework and improved debtor management offset reduction in revenues to some extent
	Maintenance of Australian Forestry Standard (AS4708:2007) and Environmental Management Systems (ISO 14001:2004) standard	2		Ongoing	Certification to AFS and EMS maintained
	No audit qualification of financial statement	1		Ongoing	Qualified accounts issued by NSW Auditor-General for 2008-09
	Meeting or exceeding contractual obligations to customers	1 & 5		Ongoing	The major obligations of contracts have been met. A number of minor requirements that improve contract performance are still being addressed
	Forest burnt by damaging wildfire	2	Less than 0.3% of forest estate		2 573 ha of State forests was burnt by wildfire representing less than 0.1% of the forest estate
Organisational efficiency	Implementation of the performance management system for all staff	5		Ongoing	Implemented for all public servants. Will be extended to all field workers in 2009-10
	Achievement of Training and Development Plan targets	5	Ongoing	n/a	Training and development activities resulted in 17 members of staff undertaking the Leadership Program, and 110 undertaking management skills training, including the Management Development Program. 450 staff undertook technical and other training, 131 undertook fire training and 982 undertook OHS training
	Complete the establishment of workshops and timber inspection services as stand-alone business units	1 & 5	June 2009	December 2009	Timber Inspection Services and Workshop Services have been established as responsibility centres in the finance system and they are working under their own separate budgets
	Review firefighting methods and resources	2	n/a	June 2010	Implementation of this goal was ahead of schedule at the time of publication
Revenue growth	Implementation of major pricing review recommendations	1	March 2009	Ongoing	Outcomes of the major price review of native forest and plantation hardwood logs were to be implemented from 1 October 2009. Implementation will be delayed to 1 January 2010 as: detailed consideration of the range of issues identified during industry consultations has taken longer than expected; our desire to support the industry as the market recovers from the impacts of the global financial crisis; and our agreement to a three month notice to any change to pricing outside the usual April and October Stumpage Reviews
	Complete the biomass feasibility assessment in Macquarie and Monaro Regions and, if the result is positive, commence tender process	1 & 2	December 2008	n/a	Tender process was withdrawn due to continuing changes in legislation that relates to renewable energy targets and proposed Carbon Pollution Reduction Scheme
	Implementation of Government-approved projects for third party investment in plantation establishment	1 & 2	Projects approved and underway by December 2009	n/a	Expressions of Interest conducted and approvals obtained. Contracts executed with investors ahead of schedule
	Implementation of the second round of Government-approved projects for third party investment in plantation establishment	1 & 2	n/a	Projects approved and underway by December 2009	Second Expression of Interest conducted and approvals obtained. Contract executed with investor to re-establish hardwood plantations in the north and north-east of the State well ahead of target
	Complete preparations and Expression of Interest for at least two extractive resources projects	1	n/a	December 2009	On schedule
	Disposal of at least five identified surplus buildings and land	1	n/a	June 2010	On schedule
	Review and implement new valuation methodology	1	n/a	December 2009	Completed

Key Result Area	Measure / Goal	DPI KRA	Target 2008-09	Target 2009-10	Performance
Cost reduction	Implementation of approved recommendations of the 2007 benchmarking study	1 & 5	June 2009	December 2009	Recommendations identified for completion by June 2009 were completed with the introduction of upgraded GIS systems and reorganisation of the structure to deliver improved forest planning and information
	Implementation of fleet recommendations including leasing of light and heavy fleet	1 & 5	Approved new arrangements in place by June 2009	Approved new arrangements in place by September 2009	On target for completion by September 2009
	Continuous evaluation of business and operational practices	1 & 5	Ongoing		Debtor and Credit Management process systems and reporting have allowed Forests NSW to improve overall cash position. Improved GIS systems introduced throughout the organisation
Simplification	Complete the integration and simplification of Australian Forestry Standard certification support systems and the Environmental Management System	5	December 2008	n/a	Completed
	Establish structure for operational engagement around simplification of Australian Forestry Standard certification support systems and the Environmental Management System	5	n/a	December 2009	On schedule
	Review and further streamline business support services	5	June 2009	December 2009	Realignment of business services has been completed with all shared services being consolidated to the corporate facilities in Cumberland State Forest
	Review procurement processes identifying increased efficiencies	5	December 2008	September 2009	Finalised review and developed procurement strategies to implement procurement efficiencies
	Review and streamline organisational structures to meet business needs	5	n/a	December 2009	On schedule
	Strategic review of information management and ICT requirements	5	n/a	June 2010	On schedule

Future directions

Effective from 1 July 2009, Forests NSW will be part of the new Industry & Investment NSW. This follows an announcement by the NSW Government of the formation of 13 new 'super' departments. Dr Richard Sheldrake has been named as the Director-General of this new department and he has announced that Forests NSW will continue as a public trading enterprise reporting directly to him.

The former Department of Primary Industries will be joined by nine other formerly separate agencies within Industry & Investment NSW.

As a public trading enterprise in the new department, Forests NSW will continue working on goals and key projects under the five strategic directions in our Corporate Business Strategy 2009-10. In addition to goals specifically identified in the Corporate Business Strategy Forests NSW will pursue the following:

Social

- Implementation of a new Forests NSW Recreation Policy, better targeting recreation opportunities in State forests.

Environmental

- Working with the NSW Natural Resources Commission, which is conducting a regional assessment of red gum in the Riverina and cypress forests in the south west of NSW.

Economic

- Introduction of strategies to achieve a cash neutral financial outcome for native forest operations over a three-year period.
- Development of a strategic plan to better deliver tree and plantation improvement services to operational branches.
- Review of the 2007 Plantation Strategy to provide a stronger focus on improving the value of the plantation asset and cash generated from the business.
- Evaluation and implementation of identified opportunities to share services within Industry & Investment NSW.
- Identification and implementation of business opportunities including extractive resources and development of a carbon marketing strategy.

Sustainability

- Recertification to the internationally recognised Australia Forestry Standard (AS 4708:2007).

These and a number of other initiatives focussing on safety improvements and training, illustrate our commitment to being the best and safest commercial forest manager in Australasia.

Social

Building partnerships and generating economic and social benefits within the community, particularly for rural and regional communities. Developing and valuing our staff.

Forest value	No.	Indicator	Results	Performance
Community benefits	1	Social responsibility	13 volunteer programs with 186 participants	●
	2	Public participation	813 regional community forums attended; 93% of complaints resolved	●
	3	Recreation and tourism	Over a thousand recreational facilities maintained, with improved website information 1 632 formal events with \$2.4 million spent on recreational service provision	●
	4	Research and education	\$ 4.6 million spent on research \$ 4.2 million spent on education over 4 000 participants in education	●
	5	Regional employment	Estimated 6 300 people employed through dependent businesses, with over 12 000 indirect jobs generated	●
	6	Other forest products	Access maintained to State forests for apiary, grazing and other products appropriate to forestry	●
Staff	7	Quality of management	888 people directly employed by Forests NSW; over \$4 million spent on staff management \$1.8 million spent on training	●
	8	Management and training	Total attendance at training courses for staff and contractors was 1 830	●
	9	Health and safety	Lost Time Incident rate was 2.4, with the lost time rate at 27.9	●
Cultural heritage	10A	Protection of cultural heritage	5 034 ha managed for cultural heritage values, with 3 co-management agreements in place effective for 53 279 ha	●
	10B	Cultural heritage training	57 additional harvest and haulage contractors trained in cultural heritage awareness	●



Research by NSW DPI and partly funded by Forests NSW, found that nectar was produced in surplus when flowering was extensive, even in recently logged forest, although by comparison nectar availability was limited across the forest in a poor flowering year.



Safety – ‘the way we do things around here’

Our first priority

During the year Forests NSW established a Safety Benchmarking Team to look at external organisations with a strong safety culture, to see how Forests NSW compared and what we could learn to improve our safety performance. Forests NSW representatives, including CEO Nick Roberts, visited Bluescope Steel, Queensland Alumina, Linfox and Caltex Refineries. These visits provided Forests NSW with the opportunity to compare Safety Systems in detail. The result has been formulated into the Forests NSW Safety Strategy 2008-2011, which will guide our activities over the next 3 years.

The three key pillars of the strategy are Leadership, Engagement, and System.

Leadership – We will create an environment where employees can show leadership in safety by defining safety leadership behaviours, rewarding staff at all levels for leading by example and

demonstrating individual commitment by proactively leading and participating in safety initiatives.

Engagement – We will create an environment that enhances employee engagement by providing training, support, recognition and opportunity for employees to actively participate in safety as part of their everyday work and to heighten their knowledge, skills and awareness of safety.

System – We will maintain a Safety Management System that meets all legal requirements but, importantly, is easy for our staff to use ensuring it is a widely used resource and enhances the safety of our employees.

The table below shows how we have performed against the activities identified for the 2008-09 period. The strategy was finalised behind schedule due to a longer than expected drafting process. This has delayed implementation of some activities.

Pillars	Safety activity	Outcome	Further action
Leadership	Integrate safety into our business processes	<ul style="list-style-type: none"> Included in Performance Development Scheme & Position Descriptions 360 feedback tools introduced All reported incidents reviewed by CEO 	<ul style="list-style-type: none"> Safety inspections of all operational worksites Review of workplace systems to identify opportunities for greater integration with safety
	Hold everyone accountable for safety	<ul style="list-style-type: none"> All incidents reviewed at business unit level Branches complete monthly incident reviews Accident statistics league table Monthly business unit reporting on Corporate Safety Improvement Plan 	<ul style="list-style-type: none"> Review of OHS performance indicators to be completed Safety System implementation audits
	Reform the Contractor Safety Management Committee	Contractor Safety Leadership Team established	Contractor reporting systems to be developed
	Provide training on safety responsibilities	<ul style="list-style-type: none"> OHS workshop completed for Supervising Forest Officers & harvest/haulage contractors OHS responsibilities training provided to managers and supervisors 	Review of all OHS responsibilities training
Engagement	Develop standard format and resourcing for Safety Days	Review of Regional ‘2009 Safety Day’ content underway	Consultation required with OHS Committees for implementation
	Improve awareness of Safe Work Procedures	Better workplace understanding and use of Safe Work Procedures through consultation and training	Review format of Safe Work Procedures
	OHS Chair to undertake Forests NSW site visits	Underway	Visits to continue to cover all locations
	Develop branding and visibility approach for safety	Developed	Identify and implement methods to raise awareness of safety through branding
System	Update safety documentation to make it more user friendly	Gap analysis against National Model ¹ completed	Engage technical expertise and undertake workplace consultation
	Review risk management approach to safety	Review of risk management tools has commenced	<ul style="list-style-type: none"> Provide workplace with user-friendly hazard ID and control systems Complete review and implement recommendations
	Develop 3-tiered approach to Incident Investigation	Commenced – comprehensive incident investigation process available	Implement workplace system once complete
	Review and standardise Safe Work Procedures	Ongoing – user friendly document prepared in consultation with relevant workplace representatives	To be reviewed and incorporated in rewrite of safety documentation for the National Model

¹ In January 2009 the Australian Government announced a National Model OHS Act and National Model OHS Regulations

Safety improvements

The strong focus on safety was rewarded with the successful passing of the 2009 WorkCover NSW self-insurers audit held in Macquarie Region in February 2009. Forests NSW passed in all four elements of the audit – Corrective Action, Process Control, OHS Audits and OHS Training. This followed the successful audit in Central Region in February 2008.

Although two consecutive years of successful WorkCover NSW audits allows Forests NSW to move to a three-year WorkCover NSW audit cycle, Forests NSW senior management team is maintaining yearly internal audits based on the WorkCover NSW model to ensure that safety remains at the forefront of the daily activities of staff.

Managing our human resource

There are a number of key issues that impact on our ability to sustain our business from a human resource perspective.

The lack of labour market knowledge of the forestry industry as a genuine career option coupled with an unfavourable public perception are major hurdles. Other factors impacting on the forestry sector include a globally shrinking talent pool of technically qualified foresters and ageing workforce, resulting in increasing safety issues.

To address this Forests NSW internal focus will be on retention and development of key employees through: further targeted development of our people; employee engagement; developing occupational health and safety strategies to manage ageing workers and talent management and development.

Externally the focus will be on employer branding: developing targeted recruitment strategies and developing strong partnerships with tertiary, secondary and private institutions to facilitate required development options ensuring the labour pipeline meets future business needs.

Supporting our people's careers

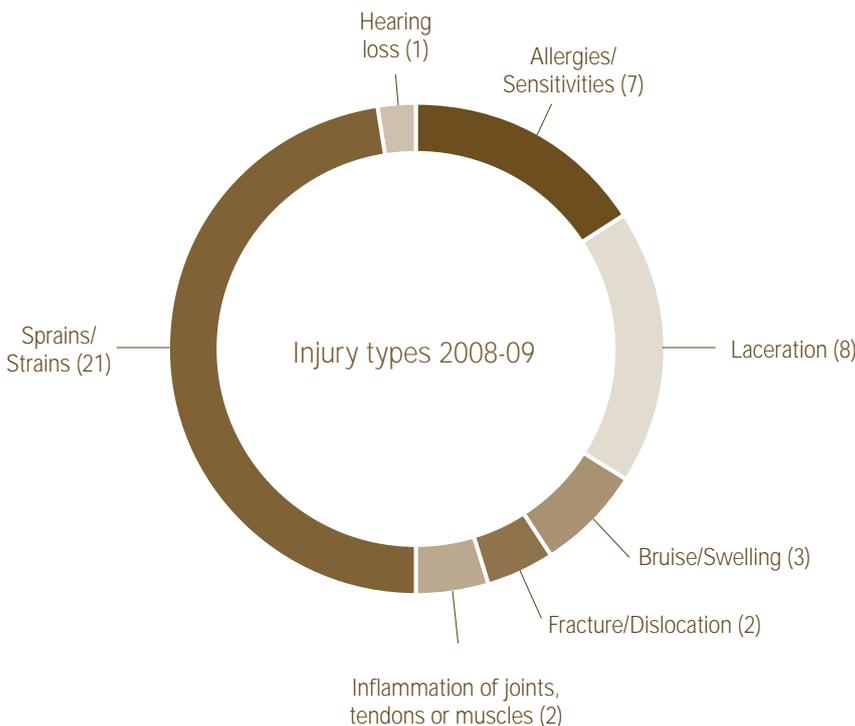
This year has seen the Management Development Program becoming a permanent part of our training and development calendar catering to nearly 50 of our potential or existing managers.

The Forests NSW Leadership Program was relaunched as an expanded program running for one year. The new-look program was built on the existing Leader Within Program. Participants are also allocated a corporate project to work on for a period of four months. Participants are selected after nomination by their manager, and endorsement by the senior management team.

Our partners

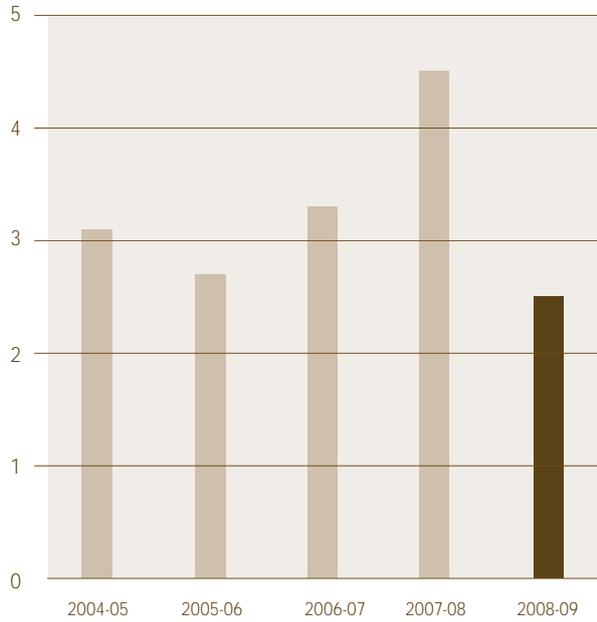
Log truck safety

Forests NSW also recognises that safety extends to our contractor partners. Over 400 harvest and haul contractor drivers have completed training to raise awareness of driver safety and behaviours. Work will continue to develop the Truck Safety Program to cover other areas of safety identified through safety investigations. Additional work has been done both internally and with our contractors on clarifying expectations and responsibilities around safety. To further this, Forests NSW will enter into a partnership with WorkCover NSW to assist them to develop a formalised approach to enabling small contractor businesses within the forestry industry to achieve higher safety performance.

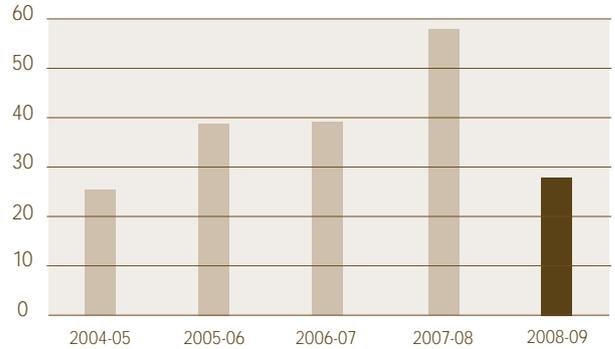


Safety statistics

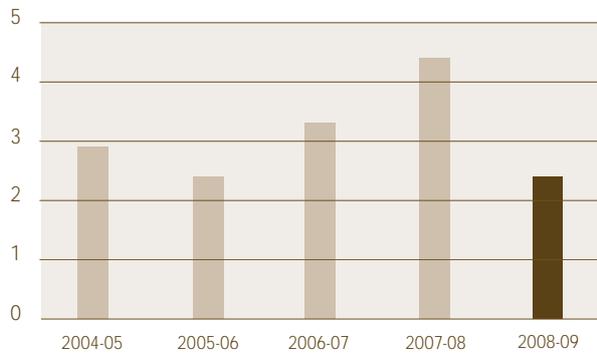
Incident frequency rate (Number of Lost Time Incidents per 200 000 hours worked)



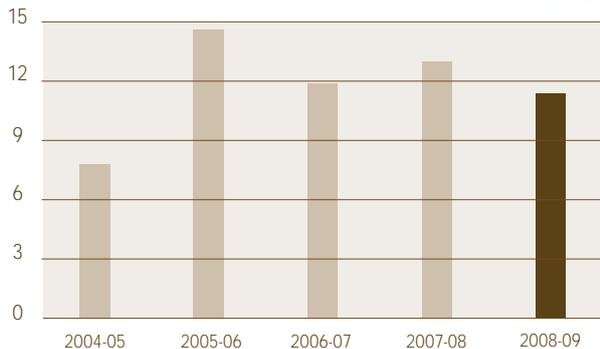
Lost time severity rate (Number of days lost per 200 000 hours worked)



Incident rate (Number of LTIs per 100 employees)



Average lost time rate (Average lost time rate is time lost in days divided by the number of injuries)





Managing forests for multiple uses has its challenges and recreation is guided by the *Living Working Playing Policy 2005-2009*. This policy is being updated and a new recreation and tourism policy will take effect in 2010. On a regional level, an operational review took place in Central Region during 2008-09 and opportunities were identified to improve the permit system. The changes implemented included annual site inspections of occupational permit sites, which often contain buildings or facilities (e.g. archery club). The changes have been well received by permit holders who have appreciated the opportunity to discuss issues like safety and future site improvements with Forests NSW staff.

Commercial recreation opportunities have increased over the past 12 months. In Ourimbah State Forest the Treetops Adventure Park began operating in December 2008. This facility is the first of its kind in NSW and offers users a unique and intimate forest experience. For Forests NSW the Treetops Adventure Park provides a revenue stream, while respecting the sensitivity of the forest environment.

In April 2009 recreational information on the Forests NSW website was upgraded, with the inclusion of an interactive map of NSW allowing users to easily find out what recreational opportunities are available across the State. During the year 6 038 forest maps were sold. These popular maps hold the key to access to the States forests and are now available for purchase directly online, as well as by contacting Forests NSW.

Licensed hunting on State forests has been available since 2002, with some 460 State forests currently declared for licenced hunting in NSW. Licenced hunting is administered by the Game Council of NSW.

More details on recreational activities in State forests can be found in Indicator 3 on page 36 of this report.

Enjoying State forests

The provision of recreation opportunities is an important aspect of forest management in NSW. State forests provide a diverse range of recreation facilities. Camping sites, picnic and other facilities are provided free of charge to locals and tourists. These facilities are found across the State, with particular focus on areas close to urban populations.

Larger organised activities are arranged through a permit system. Special purpose and occupational permits allow everything from mountain bike events to motor car rallies and orienteering expeditions to operate in State forests.

Facilities provided in State forests	2008-09
4WD/trail bike access in State forest	155
Adventure recreation	5
Bicycle riding	42
Canoeing/kayaking	52
Cabin/hut	2
Camping area	105
Camping fee	44
Car touring (2WD Access) in State forest	154
Fishing	55
Horse riding	32
Lookout	23
Picnic area	125
Walking	124

Facilities at recreational sites in State forests	2008-09
Camping area	74
Caravan site access	29
Fireplace/BBQ	92
Picnic area	67
Rubbish collection	76
Toilets	60
Water (not for drinking)	39
Wheelchair accessible toilets	12

Sydney's Cumberland State Forest

The 40 hectare Cumberland State Forest celebrated its 70th birthday during the year. Cumberland State Forest is the only metropolitan State forest in Australia. It offers a slice of forest in the centre of town and a unique mix of recreation opportunities.

Originally privately owned land, most of the forest on Castle Hill Road was cleared for agriculture in 1908. Thirty years later, management of the land was taken over by the NSW Forestry Commission with one third of the land planted as an arboretum and the rest allowed to regenerate, by excluding livestock and otherwise encouraging tree seeds to germinate and grow naturally.

Cumberland offers scenic walking trails, picnic areas, a native plant nursery, information centre with gift shop and an on-site cafe. The nursery specialises in native Australian plants and offers high quality trees and shrubs, as well as expert advice on plant selection and care.

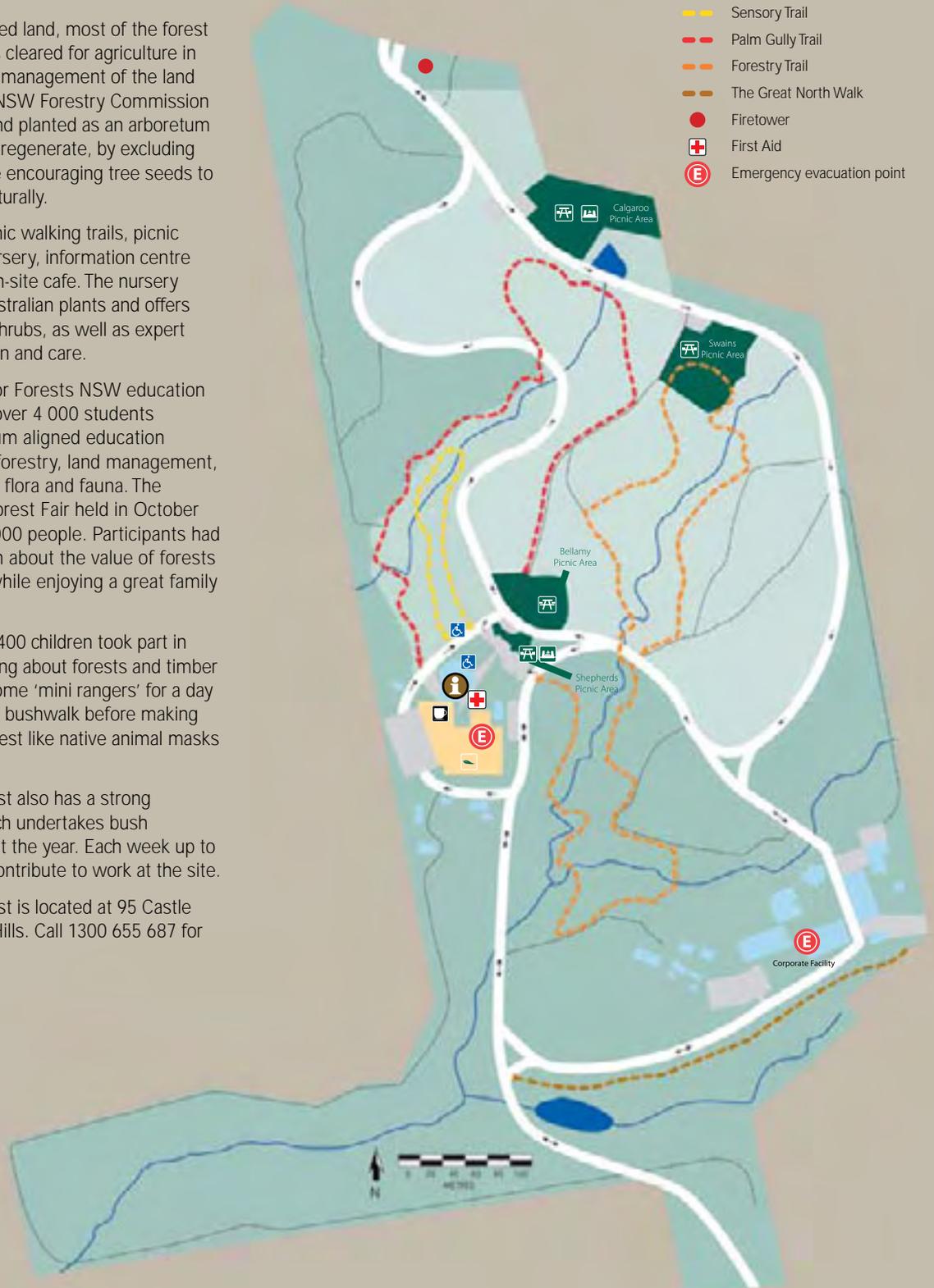
The forest is the hub for Forests NSW education programs. In 2008-09 over 4 000 students participated in curriculum aligned education programs focusing on forestry, land management, forest types and native flora and fauna. The biennial Cumberland Forest Fair held in October 2008 attracted over 5 000 people. Participants had the opportunity to learn about the value of forests and forestry in NSW, while enjoying a great family day out.

During school holidays 400 children took part in activity programs learning about forests and timber products. Children become 'mini rangers' for a day heading off on a guided bushwalk before making something from the forest like native animal masks or forest board games.

Cumberland State Forest also has a strong volunteer program which undertakes bush regeneration throughout the year. Each week up to 40 regular volunteers contribute to work at the site.

Cumberland State Forest is located at 95 Castle Hill Rd, West Pennant Hills. Call 1300 655 687 for more details.

-  Information Centre and Forest Shop
-  Cafe
-  Cumberland Forest Nursery
-  Picnic areas
-  BBQ areas
-  Disabled access
-  Regrowth forest
-  Arboretum
-  Sensory Trail
-  Palm Gully Trail
-  Forestry Trail
-  The Great North Walk
-  Firetower
-  First Aid
-  Emergency evacuation point



The timber industry – maintaining rural communities

The timber industry provides economic stability to many regional communities throughout NSW. This has been highlighted as drought has impacted on many traditional farming areas in recent years. Forestry is not as strongly linked to drought cycles as agriculture and provides a more stable income stream to many of these rural communities.

While forestry is an important part of communities along the north and south coasts of NSW, this is supplemented by other industries, particularly tourism. This is less evident in the western and south-western areas of the State where agriculture and forestry related businesses dominate.

In Hume Region, within the south west slopes of the State, the forestry related businesses generate more than \$1 billion per annum for local economies. Forests NSW manages the bulk of the forests in this area, with more than 90 000 hectares of plantation softwood and 68 000 hectares of native forest available for timber production. One job is created for every 65 hectares of plantation, according to an independent report prepared for the Riverina Regional Development Board by URS in August 2004 entitled *Profile of the Value of the Timber Industry in the South West Slopes Region of New South Wales*.

As can be seen on the map on the opposite page the size of this timber resource has attracted investment in large processing plants located in Tumut, Tumbarumba, Wagga Wagga and Albury.

Areas such as Grafton in the northern part of the State and Tumut in the south also benefit from Forests NSW major production nurseries located in these towns. They provide ongoing employment to a core workforce, together with casual employment during peak planting periods.

In total around 6 000 people in New South Wales are employed directly through State forest related businesses, while we estimate that nearly double that number of jobs are supported indirectly. For more details on these employment estimates see Indicator 5 on page 37. More broadly the timber processing industry contributes around \$1.6 billion per annum to the State economy. Other dependent businesses include ecotourism ventures, beekeeping (apiarists) and grazing for livestock. Indicator 6 on page 38 provides details of a range of products and services dependent on State forests.

Although imported timbers may provide prosperity and growth to the communities they come from, this depends very much on the legality and sustainability of local forest practices. This reinforces the importance of choosing certified timber.



Photo by Howard Spencer

Environmental

Ecologically sustainable management of native and planted forests to protect and enhance environmental functions and conservation values. Expanding the plantation estate to help meet future market needs.

Forest value	No.	Indicator	Results	Performance
Biodiversity	11	Extent of forest type	Total forest estate managed 2.41 million hectares	●
		Native forests	1.91 million hectares of native forest estate	
	12	Planted forests	283 210 hectares of plantations, planted or available for harvesting	●
			216 033 hectares of retained vegetation and infrastructure	
			11 711 hectares of new softwood plantation established	
13	Native forest structure	26.2% regrowth, 28.1% mature, 4.6% high conservation value old growth, 4.8% rainforest and 35.9 % unassigned	●	
13	Surveyed species	52 targeted species found with 3 105 fauna sightings	●	
Forest health	14	Pests and weeds	\$1.5 million spent on feral animal and weed control	●
	15	Plantation health	Overall improvement in planted forest health, with only an increase in stem-boring insects increasing from 5% to 11% of the sampled hardwood plantations	●
	16	Firefighting and prevention	Less than 0.1% of State forests burnt by wildfire; 20.7% of State forests treated by fuel management strategies; \$9.6 million spent on fire prevention and control	●
Soil and water quality	17	Protection of soil and water	108 619 hectares of forest assessed for soil erosion hazard;	●
			260 461 hectares of State forests primarily managed to protect water catchments	●
Compliance	18	Regulatory compliance	Over 99% internal compliance rate; 1 fine issued; 0 prosecutions	●
Environmental services	19	Carbon sequestration	Over 4 million tonnes of CO ₂ e sequestered by plantations and an estimated net 4 million tonnes of CO ₂ e sequestered by native forests;	●
			Estimated 8 528 tonnes of CO ₂ e emitted	
	20	Energy consumption	2.5% of electricity sourced from green power; Increase of fleet size by 4.4% over 2007-08 figure, however still a drop of 16.2% on 2006-07 figure; Decreased fuel energy usage by 7.9% and electricity by 5.9%	●
21	Material consumption and recycling	59 tonnes of copy paper recycled in all offices, representing 86% of the estimated total	●	

Forests are widely recognised as a source of clean water as they grow in locations that generate runoff, stabilise soil and moderate the peaks and troughs of rainfall. In comparison to urban and agricultural land uses, properly managed forests yield water relatively low in contaminants meaning that the need for treatment, and its costs, are minimised.

Forest agreements

The periodic reviews of the Commonwealth Regional Forest Agreements, the NSW State Forest Agreements and the Integrated Forestry Operations Approvals continued during the year. Forests NSW is a key contributor to these reviews and when finalised, the review reports will document achievement of many significant milestones and identify a number of ongoing projects that must be completed to meet government commitments. The Forests Agreements provide the detailed and agreed basis for long-term decisions on forest use and management, they also provide certainty for industry, conservation and the community, and deliver on the Australian Government's forest policy.

Water

Legislation, Codes of Practice and the conditions of Environment Protection Licences are followed in State forests to ensure that any adverse impacts of forest management activities on the quality of water supplies are minimised.

Consistent with both our management objectives and the relevant environmental legislation, Forest NSW has put in place a comprehensive, mandatory water quality monitoring program.

Results of the program have consistently shown that water from streams in native forests is of a higher quality than water from pine plantations, and forestry activities in both plantations and native forests raised the levels of turbidity and suspended sediment in streams, but due to the implementation of best management practices, these impacts were minor and temporary.

The Living Murray Program

During the year Forests NSW, in conjunction with NSW partner agencies and community groups, continued its involvement in The Living Murray Program. This program is providing and developing vital packages to deliver positive environmental outcomes for the Ramsar-listed wetlands in the Central Murray. The key project in this area is the Torrumbarry Flow Enhancement Project that will provide an infrastructure package to deliver environmental flows into the 30 000 hectare Perricoota-Koondrook State Forests. As part of the program an environmental water flow was successfully delivered to Reed Beds North, in Moira State Forest, to improve the health of vegetation critical for bird breeding events. This was part of a program run across NSW, Victoria and South Australia targeting critical elements of the landscape to keep healthy during the ongoing drought to ensure persistence of wetland-dependant species.

Land

Forests NSW is committed to meeting long-term wood supply agreements, many negotiated as part of the Forest Agreement process. Ensuring the land under Forests NSW management produces timber volumes and qualities that reflect the capacity of specific site conditions is central to our role as foresters.

Unprecedented Planting Program

With Forests NSW production nurseries producing 12 million seedlings, a massive planting program was set to get underway in June 2009. To increase capacity for seedling production, the main nursery at Blowering near Tumut has seen significant investment resulting in the construction of a world-class container facility, bringing total capacity at the nursery to 13 million seedlings per year. Capacity expansions have occurred at Grafton and Narrandera nurseries with Inverell nursery being sold during the year and functions consolidated to Grafton.

The bulk of the plantation establishment will be in pine plantation regions around Tumut and Tumbarumba in the south west slopes and around Bathurst and Oberon in the central west. The establishment program, which runs from June to September, will provide employment for an additional 200 contracted staff.



Upgrading forest management systems

Delivery of information on forest resources is critical to Forests NSW operations as well as estate valuations. During the year the Geographic Information System (GIS) has undergone a significant upgrade with a new system platform being rolled out across operating regions during April and May. The upgraded system is a more efficient spatial mapping system capable of supporting key business applications such as harvest planning. These maps are vital reference tools for on-the-ground application of social, environmental and economic operational conditions.

Fire

Fire management within Forests NSW estate has three main objectives: the protection of life and property; the protection of current and future forest assets; and the protection and maintenance of biodiversity. Through generating revenue from State forests, Forests NSW has the capacity to better protect the organisation's production base, the forests themselves and, subsequently, is also better able to protect social and environmental values. See indicator 16 on page 42 for more details on Forests NSW fire management during 2008-09.

Forest and community asset protection

Forests NSW suffered no significant losses from wildfire during the year despite a prolonged drought in the southern half of the State coupled with occasional extreme fire weather conditions. The majority of firefighting effort in NSW was to assist National Parks and Wildlife Service and Rural Fire Service on off-tenure lands in joint fire efforts.

Fire hazard reduction burning continues to be the keystone of our bushfire management strategy. During the year 24 988 hectares of State forests were burnt to reduce fuel loads.

In the aftermath of wildfires which devastated parts of Victoria in February, Forests NSW participated as part of an overall NSW contingent

by deploying over 200 firefighting staff. Forestry skills in managing fire in heavy timber in remote steep country made a valuable and appreciated contribution to the effort. Firefighters were also sent to assist in wildfire control in California, USA.

Biomass marketing strategies

The use of low grade or waste timber for energy production has gained significantly in importance on the global market over the last couple of years. We have responded to this market for our timber by conducting several operational trials of plantation biomass recovery with commercial energy partners during the year. These included supplies to NSW Sugar, Delta Electricity and Visy Pulp and Paper Pty Ltd. Work has continued to finalise an estate-wide strategy on the recovery of forest residues, which will be implemented during 2009-10.

Flora and fauna

Survey and monitoring

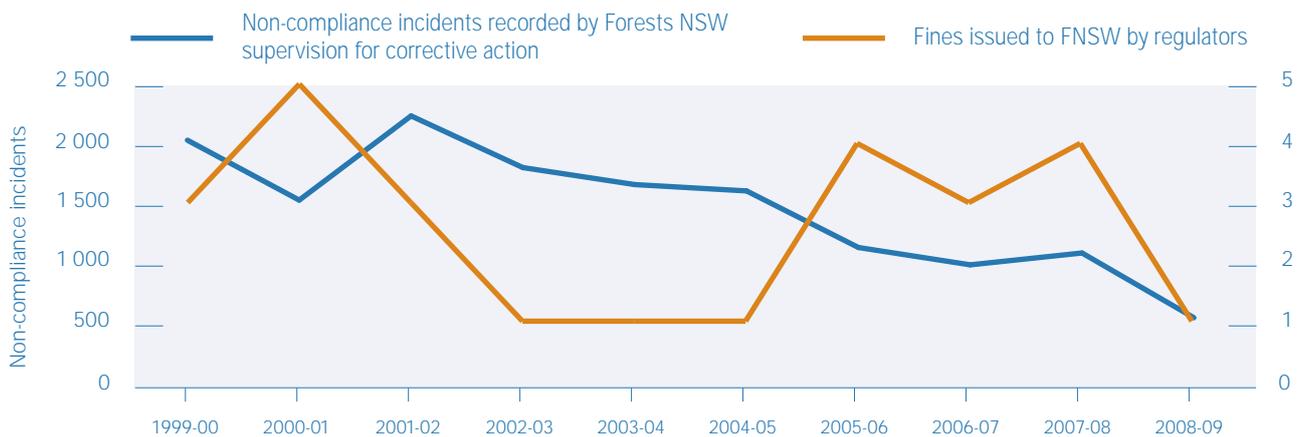
Forests NSW, along with other NSW forest management agencies, is developing long-term monitoring of State forests to provide greater understanding of how threatened species should be managed. For more details on these trials see page 25.

Hunting in State forests

A program proving popular with recreational hunters is the licensing of hunters under the Game Council of NSW to cull feral animals, such as deer and foxes. Currently over 400 State forests are available for licenced hunting. This program is available under the *NSW Game and Feral Animal Control Act 2002*. Forests NSW is working with the Game Council of NSW to ensure that the safety of those working and using the forests and adjacent areas is maintained.

The Bush Alert reporting initiative focusing on illegal hunting was launched state wide during the year by the Game Council of NSW, with Glenbog State Forest near Nimmitabel being among the first areas targeted.

Regulatory compliance



Controlling wild dog and fox numbers

Wild dogs and foxes are pests found widely throughout NSW. They threaten the survival of native fauna, and have contributed to the decline of many species of reptiles, mammals and birds. They also cause considerable losses to livestock. Forests NSW works closely with other public land management agencies, as well as private landowners in developing and implementing effective control programs, to reduce the environmental and economic cost of these pests.

An example of one such program is the Kempsey Cooperative Wild Dog Management Plan, which was signed off in November 2008. This plan sees the Mid Coast Livestock Health and Pest Authority working closely with stakeholders, including Forests NSW to plan and implement wild dog baiting programs.

The Authority has been coordinating several large-scale programs with the cooperation of Forests NSW, private landholders and the NSW National Parks and Wildlife Service (within DECC). Neighbouring landholders identify areas within State forests that are used by wild dogs and these areas are subsequently included for ground baiting control programs by Forests NSW staff. In addition strategic aerial baiting programs are also being undertaken.

The Mid Coast Livestock Health and Pest Authority has acknowledged the very strong support from Forests NSW during 2009. The work completed within State forests complements the existing Threat Abatement Programs conducted throughout the year within the Tamban State Forest to control both foxes and wild dogs in the immediate area.

Forests NSW staff have also undertaken reactive wild dog control programs as required by those adjoining neighbours who have experienced intermittent livestock attacks during the year. Forests NSW has also provided representation at numerous local meetings to discuss issues relating to wild dog control programs.

In another example of the recognition of Forests NSW work in this area the Goonoo Fox Control Project, organised by the Dubbo Land Health and Pest Authority, received the Animal Control Technologies Award at the 14th Australasian Vertebrate Pest Conference. Other major players in the program were NSW National Parks and Wildlife Service and local landholders. The award recognised the positive contribution of this community-based fox control program, which was developed to protect the endangered malleefowl (*Leipoa ocellata*) and livestock. Looking to future developments in this area Forest NSW continues to support a PhD study on fox ecology and control across the landscape in the Central Western Slopes of NSW.

1080

Ground-baiting using buried 1080 meat baits is the most effective control option and the most widely used by all public land managers. It allows baits to be placed where they are most likely to be found by wild dogs or foxes and reduces their uptake by native animals. During 2008-09 approximately 6 323 baits and 273 litres of 1080 were used in State forests.



Photo © Lochman Transparencies

Technological leap in forest mapping

Technology being evaluated by Forests NSW is on the verge of replacing traditional methods of forest mapping. In the past most features within forests such as species, tree heights and the location of streams and roads have been identified by people huddled over stereo photographs or actual ground survey and inspection.

LiDAR, which is short for 'light detection and ranging', is an airborne laser scanning technology, which works on similar principles to radar. LiDAR sensors emit high-repetition, short-duration laser pulses at a target and measure the return reflection time to gauge target distance and bearing.

In Forests NSW, LiDAR is being tested to show tree heights and to accurately determine features such as drainage lines, roads and slopes to assist in harvest planning and increasingly in the actual mechanical harvesting operation. To do this, light planes equipped with LiDAR sensors are flown over forests, so that the laser pulses can be directed towards the ground. When results are compared with on-the-ground measuring there is accuracy within 2 metres variance on the horizontal plane and 60 to 70 centimetres on the vertical plane.

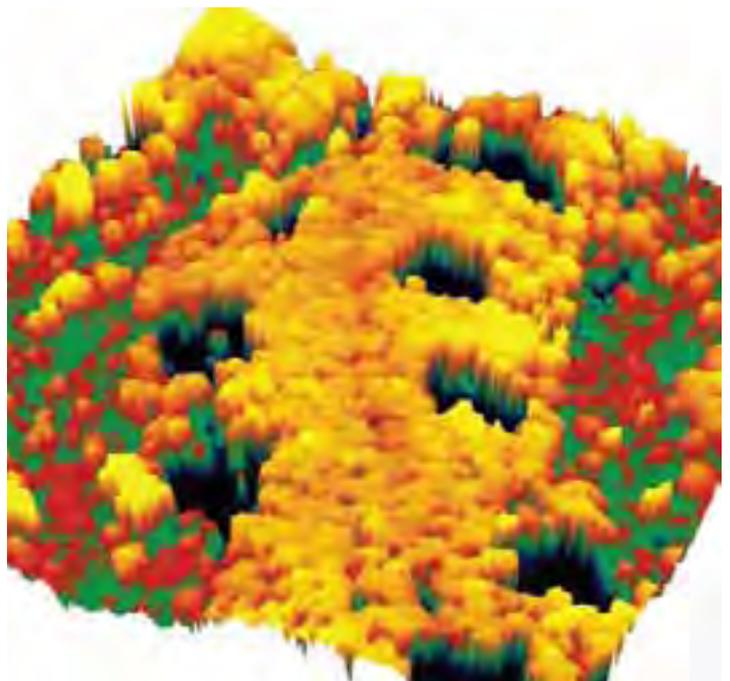
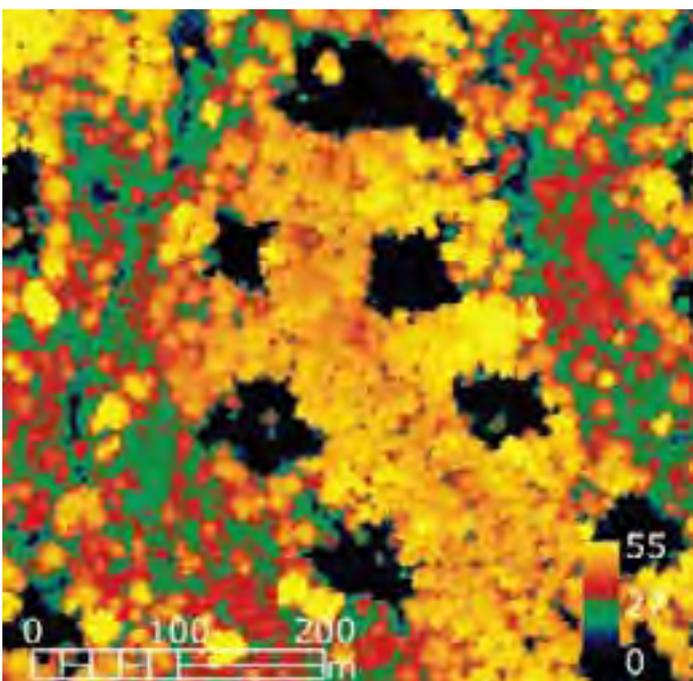
With average tree heights of 30 metres or more in many stands, LiDAR is providing an accurate picture of the location of tall trees, streams and old tracks made during previous harvests. All this information is important to ensure the best safety, environmental and economic outcomes when planning and implementing harvest operations.

During the year digital elevation models and tree height mosaics have also been generated for more than 60 000 hectares of river red gum forests in the Millewa, Koondrook and Perricoota State Forests near Deniliquin, and a further 240 000 hectares of white cypress pine State forests near Baradine. Staff have used these images to remap road and drainage networks, locate stands requiring thinning and to assist with harvest planning.

Further emerging applications include determining canopy height, stand basal area, stand density, successional growth stage, vegetation classification, canopy cover, vertical and horizontal vegetation structure, change detection, height growth, fauna habitat, storm damage assessment, forest fuel characteristics and regeneration survey.

Key applications that Forests NSW has been actively investigating over the past seven years include topographic mapping, catchment management, wood resource assessment, carbon accounting, harvest planning, and forest health and fuel assessment.

Below: This LiDAR image shows an aerial view of a eucalypt forest in Central Region, that had recently been harvested using the Australian Group Selection method (See page 34 & 35). The areas of predominantly red and green represent gullies, where Forests NSW does not harvest.





Biodiversity monitoring

In an update on a subject covered in last year's *Seeing Report*, Forests NSW, along with NSW Department of Primary Industries and NSW Department of Environment and Climate Change, are continuing the trial program of monitoring plots in forests of the Pilliga in Western Region. The objective of this work is to determine the optimal sampling effort for a landscape monitoring program involving multiple species of plants and animals. Sampling conducted to date comprises surveys for vascular plants, diurnal birds and microchiropteran bats. Results from the bird and bat surveys will be presented in August 2009 at an international conference hosted by the Ecological Society of Australia.

In spring 2009 monitoring will begin in the Pilliga and trial monitoring will shift to coastal forests.

The monitoring trial was extended into the southern cypress and red gum forests in late 2008 as part of the Riverina EIS. Baseline data was collected from 19 localities (each comprising up to 5 sub-plots) using the same ten kilometre grid-based framework and methodologies trialled in the Pilliga. The results of these surveys were published in June 2009.

Grey-headed flying foxes (Pteropus poliocephalus) are a threatened species that play an important ecological role in forests by pollinating many species of eucalypts. Camps of this species are protected by buffers when found during forest surveys. Photo by Howard Spencer

Economic

Ensuring an adequate return from the marketing of wood products from the State's native forest and plantations, while also developing innovative commercial products and services to facilitate private investment in new planted forests.

Forest value	No.	Indicator	Results	Performance
Marketing and sales	22	Volume of timber harvested	2.86 million m ³ of logs and 1.65 million tonnes of pulpwood harvested	●
	23	Product mix of timber harvested	No survey undertaken, however the proportions of broad product types sold is likely to have remained stable	●
	24	National Greenhouse Abatement Certificates created	100% (26 756 hectares) of eligible plantation accredited for carbon trading	●



White cypress (Callitris glaucophylla) is a native softwood occurring in the western region of NSW.

Making the best of the downturn

Difficult trading conditions manifested themselves mid financial year as the economy started to contract. Housing starts declined leading to a lowering of demand for timber products from sawmills and fibreboard mills. This resulted in closures or shift shedding at a number of mills across the State. The reduction of mill intake impacted on sales volumes from our forests, as can be seen in indicator 22, page 46.

The financial result shown in this report reflects concentrated and responsive management actions to maximise revenues and achieve improvements in operating expenditure.

Signs have recently emerged that the building sector will see some growth during the end of 2009 and early 2010. The increase in the first home owners grant for newly constructed dwellings is having a positive effect on new dwelling approvals and this should flow through with stronger demand for timber in 2009-10.

Revenue growth

Developing extractive resources projects

Native Forest Operations Branch completed preparations for the development of a hard rock quarry in Central Region during the year. Documentation to register an interest in tendering for the project has been produced. The tendering process will proceed next financial year.

A compensation agreement for the establishment of an open-cut coal mine in Western Region was finalised and negotiations continue for the rental of 20 gas well sites, a pipeline and an evaporation dam site for the extraction of methane gas.

Preparation for Visy expansion

Forests NSW has finalised arrangements for the supply of an additional 300 000 tonnes of pulp log sourced from Monaro and Macquarie Regions, to the Visy Pulp and Paper Mill at Tumut, as a result of a \$450 million expansion of the mill. Increased harvesting and haulage capacity has been procured to satisfy the demand providing a positive impact on employment in these rural areas.

Major log price review

Forests NSW has consulted comprehensively with customers on recommendations from the review of pricing for NSW hardwood logs with changes scheduled for implementation on January 2010.

The review was instigated to address ongoing industry pricing concerns and to review the pricing principles and systems. One of the key outcomes of the review is the need for a simplified system incorporating market pricing principles.

Maintaining sales

Maintaining sawlog sales during the economic downturn was a priority during 2008-09. This included the export of around 300 000 tonnes per annum of softwood low grade logs through the port of Eden and around 20 000 tonnes per annum of log sales in containers from Bathurst. Both were critical to support contractor viability, stand improvement and value recovery during the downturn.

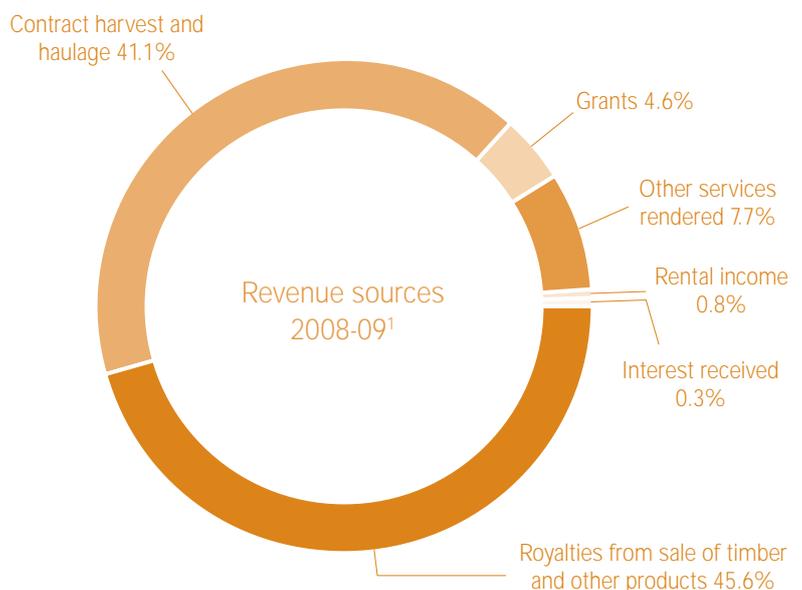
Cost reduction

Disposal of surplus land and buildings

The assessment and disposal of surplus land and buildings continued during the year. It included the sale of the Dungog and Inverell Forestry Offices and the rationalisation of various leases, such as relinquishment of the lease for the Gloucester Forestry Depot. Negotiations are also continuing with interested parties for the sale of other surplus properties, such as the Casino Depot and Glen Innes Office.

New planning and budgeting framework

A new integrated business planning, budgeting and expenditure control framework was introduced as the main vehicle for the planning of major activities and approval of expenditure. The framework is based on a staged approach, with each stage requiring more detailed analysis and documentation than the previous stage with proposals able to be rejected at any stage of the process. This allows for more rigorous analysis and decision-making processes for major expenditure.



¹ Does not account for loss on sale of non current assets



Carbon

Forests NSW has been able to sell carbon credits through the NSW Greenhouse Gas Abatement Scheme since February 2005. Negotiations are currently underway to determine how these credits might be transferred to the Australian Government's Carbon Pollution Reduction Scheme (CPRS), which is under development and due to be launched by 2010.

Forests NSW has been taking an active role in contributing to the design of the national scheme and is currently awaiting details in the CPRS Regulations to determine the viability of opting into the scheme's reforestation provision.

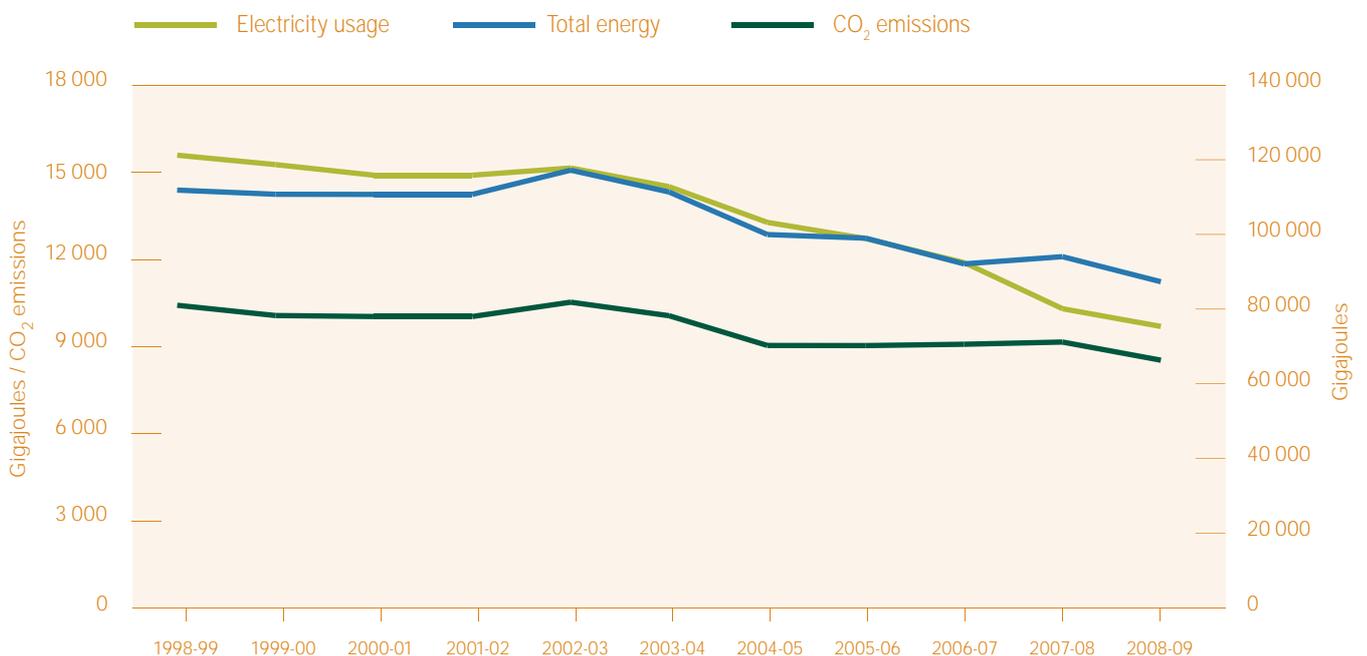
There is also considerable uncertainty as to how the Australian Government's National Carbon Accounting System will accurately estimate the quantity and rate of carbon sequestration arising from reforestation projects.

Forests NSW has invested a considerable amount of money and resources in forest carbon inventory measurements and it is negotiating to have these measurements accepted by the CPRS Regulator.

Forests NSW is also still seeking appropriate transition arrangements for providers, such as Forests NSW, operating under the pioneering NSW Greenhouse Gas Abatement Scheme. The State scheme is due to be replaced by the national scheme and Forests NSW is anxious to ensure the value of its carbon business is not diminished in the transition process.

Should the national scheme not adequately recognise the certificates produced under the State scheme, Forests NSW may limit its future participation in the CPRS to that of a service provider.

Energy and carbon emission trends



Plantation Re-establishment Program

With an extensive re-establishment program covering more than 17 000 hectares of State forests over the 2009-13 period, new investment vehicles have been developed to supplement traditional funding to ensure the program can be completed.

Third party investments were invited by way of Expression of Interest processes, following agreement by the NSW Government. Proponents were identified following a detailed process and approved by the Cabinet Standing Committee of Budget under the *Public Authorities (Financial Arrangements) Act 1987* before Forests NSW could commence contract negotiations.

Contracts were executed with Willmott Forests in February 2009 for the establishment of 4 500 hectares of second rotation land in the Bombala area; and with Forest Enterprises Australia in April 2009 for the re-establishment of 4 500 hectares of hardwood plantation in the north and northeast areas of the State in the next three years.

In both of these contracts, the trees will be owned by the investors, on land licensed from Forests NSW who will act as manager of the plantations. Importantly, the timber can be included in Forests NSW supply commitments.

Plantings have already commenced in State forests earmarked for re-establishment in 2009-10 under these contracts.

This business model capitalises on Forests NSW skill base and infrastructure, while minimising the capital investment exposure of the private company partners.



Sustainability

Managing State forests for the long term and retaining opportunities for future generations to meet their needs and expectations, while providing for the present.

Forest value	No.	Indicator	Results	Performance
Productivity	25	Forest management	1.4 million hectares available for timber production; Over 478 000 hectares in State forest conservation reserves; 610 000 hectares of other forest managed for ecological functions	●
	26	Plantation establishment and survival	11 711 hectares of new softwood plantation; 11% of new softwood plantation established requiring restocking after 1 year	●
	27	Mean annual growth of planted softwood forest	Mean annual increment for softwood plantations of 18 m ³ /ha/yr and 10 m ³ /ha/yr for hardwood plantations	●
	28	Native forest regeneration	44 surveys and 81% of surveyed harvested area successfully regenerated	●
Maintainability	29	Allowable cut	Actual annual yield of high quality sawlogs as percentage of allowable volume: · 80% from native hardwood forests; · 93% from cypress; · 73% from all softwood plantations	●
	30	Forest certification	Certification to the Australian Forestry Standard (AS 4708:2007) and ISO 14001:2004 Environmental Management System Standard maintained	●
	31	Trading profit	\$18 456 loss per employee reported	●

Leaves of a hybrid bred from flooded gum (Eucalyptus grandis) and river red gum (Eucalyptus camaldulensis) species, which has improved drought tolerance and stem form characteristics.

Not just timber, but certified timber

Certified forests

Certification to internationally recognised forestry standards is the most popular and accepted method of demonstrating that timber products come from sustainably managed forests.

In addition to audits carried out by NSW regulatory authorities, Forests NSW voluntarily meets the requirements of two internationally recognised standards.

During the year our certification to the Environmental Management System (ISO 14001:2004) and Australian Forestry Standard (AS 4708:2007) were maintained following an integrated external audit. Our certification to the Australian Forestry Standard allows Forests NSW customers to gain Chain of Custody (AS 4707:2006) certification for their products (see diagram below). This is an important step for our customers in securing long-term export markets. Certification is increasingly important in the domestic market too, as local consumers demand that the timber products they are purchasing are from forests that are responsibly and sustainably managed. To view companies with AS 4707:2006 Chain of Custody visit the Australian Forestry Standard website.

Although individual audits have been regularly undertaken, this audit was the first integrated audit of Forests NSW environmental and forest management systems.

The integrated audit, carried out by NCS International, not only included a review of the organisation's management system, but also field audits of Forests NSW operations at:

- Macquarie Region (plantation forest operations) and;
- North East Region (including native forest operations).

NCS International reported that 'Forests NSW demonstrated its commitment to and support for its management systems for environment and forestry through the involvement of its executive and senior regional staff in this audit, and in initiating a number of programs in response to findings made at the February 2008 audit against AS/NZS 4708 conducted by NCS International, and the March 2008 audit against ISO 14001 conducted by Det Norske Veritas.'

NCS International concluded that Forests NSW 'complies with the requirements of the standards, however there are a number of elements that require attention.' As part of the continual improvement cycle Forests NSW has set plans in place to deal with these elements before the next audit, due in September 2009. The full audit report is available from Forests NSW by emailing cumberland@sf.nsw.gov.au

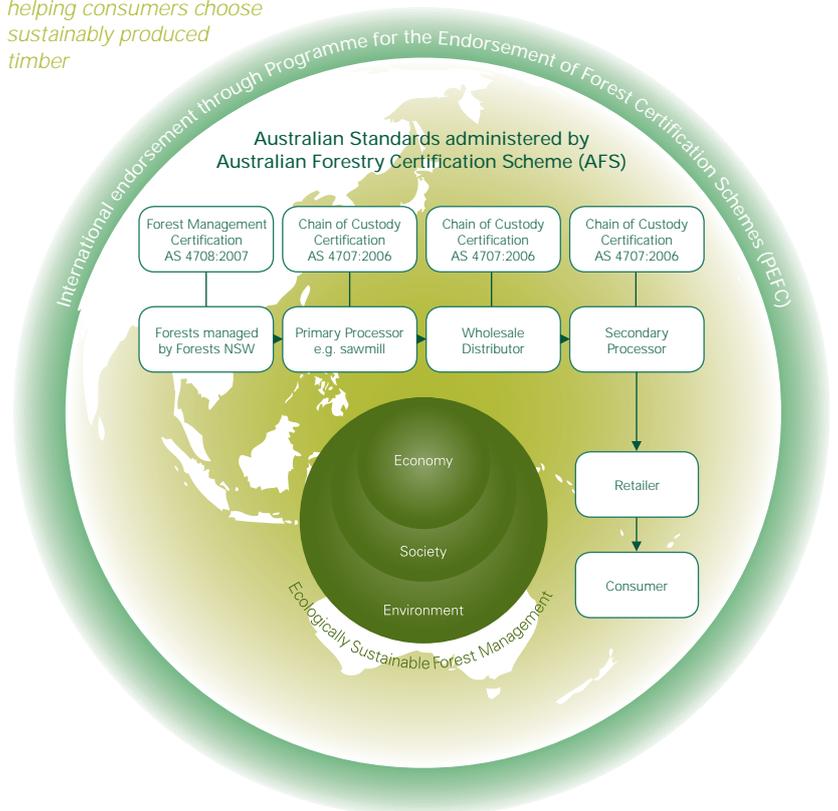
Regulated forests

As a party to the Regional Forest Agreements and NSW Forest Agreements, Forests NSW complied with the terms set out in Integrated Forestry Operations Approvals. The NSW Department of Environment and Climate Change and the NSW Department of Primary Industries (Fisheries, Compliance and Regional Relations Division) carry out compliance audits throughout the year. A trend graph of the results for these audits can be found on page 22 of this report.

Public accountability

In addition to regulatory and standards specific audits carried out during the year a special Performance Audit of our native forest operations was undertaken by the NSW Auditor-General.

Independent certification: helping consumers choose sustainably produced timber



The main purpose of the Performance Audit was to assess Forests NSW ability to identify the availability of native forest and plantation hardwood for harvesting and whether the volume is sufficient to meet timber supply commitments over the term of current wood supply agreements. The Auditor-General found that Forests NSW has adequate estimates of the quantity of native forest timber available and that there should be sufficient timber to meet wood supply commitments up to 2023. The Sustaining Native Forest Operations Performance Report contained nine recommendations on system improvements to better monitor and report on native forest growth and yield and business risk.

Placing a value on forests

Forests NSW has continued work on increasing the confidence surrounding forest valuation procedures following Auditor-General financial audit qualifications. Forests NSW changed its valuation process for both the native and plantation forests from liquidation to a discount cash flow approach bringing it in line with industry standards. This means that we no longer calculate how much a forest is worth, if we were to cut and sell every tree today but instead takes the projected future value when harvested and reduces that amount (using the weighted average cost of capital) to arrive at a present value. This will increase the confidence around the value of the forests in the medium to long term. The valuations are reported in the financial statements section in part 2 of this report.

Red gum forestry

As reported in last year's Forests NSW Annual Report an environmental non-government organisation, the National Parks Association (NPA) challenged the compliance with the *NSW Environmental Planning and Assessment Act 1979* (EP&A Act) of Forests NSW operations in red gum forests of the Riverina. To avoid costly court action

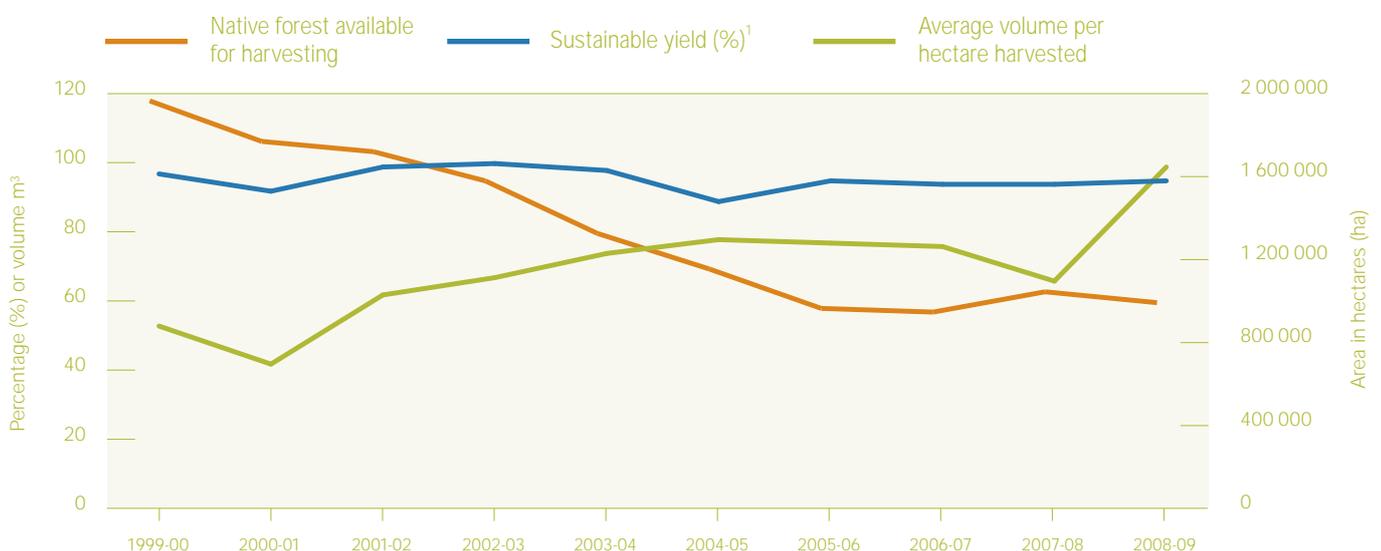
and to provide increased legal certainty Forests NSW agreed to complete an Environmental Impact Statement (EIS) for harvesting and associated roadworks in the red gum forests.

The court agreement required Forests NSW to prepare an EIS as if Part 5 of the EP&A Act applied. To avoid future legal uncertainty, Forests NSW also undertook to conduct an Environmental Assessment under Part 3A of the EP&A Act. Forests NSW proposed to prepare both Part 5 and Part 3A assessments. The EIS was prepared by independent consultants and placed on public display on 1 June 2009. It covers harvesting and associated roadwork operations in river red gum and cypress forests in south-western NSW and assessed sustainable timber supply, flora and fauna, air quality, noise, cultural heritage, water quality, traffic and transport, as well as social and economic impacts.

The EIS concluded that there is unlikely to be a significant impact on the majority of threatened species populations or endangered ecological communities or their habitats.

While outside of the reporting period, it is significant that on 7 August 2009 the Hon. Nathan Rees MP, Premier of NSW, issued the independent Natural Resources Commission with a Terms of Reference to carry out a regional forest assessment of the Riverina Bioregion and the south-western cypress State forests. The Natural Resources Commission regional assessment will provide a broader perspective to the debate on future forest management analysing what are complex environmental and ecological issues. These regional assessments are intended to replace any future assessment under the EP&A Act. The terms of reference include coverage of the *Commonwealth Environment Protection and Biodiversity Conservation Act 1999*. The NSW Natural Resources Commission is required to report on the assessment by 30 November 2009 for the river red gum forests and 28 February 2010 for the southern cypress forests.

Forest sustainability



¹ Within the scope of the wood supply and licencing agreements

Charcoal – demonstrating timber’s versatility

It's hard to imagine the diversity of products made from timber or sourced from forests. Indicator 6 on page 38 lists some of the less obvious uses and products, while timber sales are summarised in indicator 22 on page 46.

One niche product, charcoal, has been associated with humans throughout history. In our Western Region native forests a number of customers are producing charcoal and trying to meet the growing demand.

Charcoal is produced by burning the waste from harvest operations under constant slow heat, deprived of oxygen, in a process called pyrolysis. The reason charcoal is so useful, particularly in countries where transport is an issue, is that charcoal has twice the energy value of wood per kilogram.

In Australia one of the most popular uses for charcoal is as a fuel in our barbecues. But it is also

used in a range of applications such as purification and filtration, steel production and even in art for sketching and drawing.

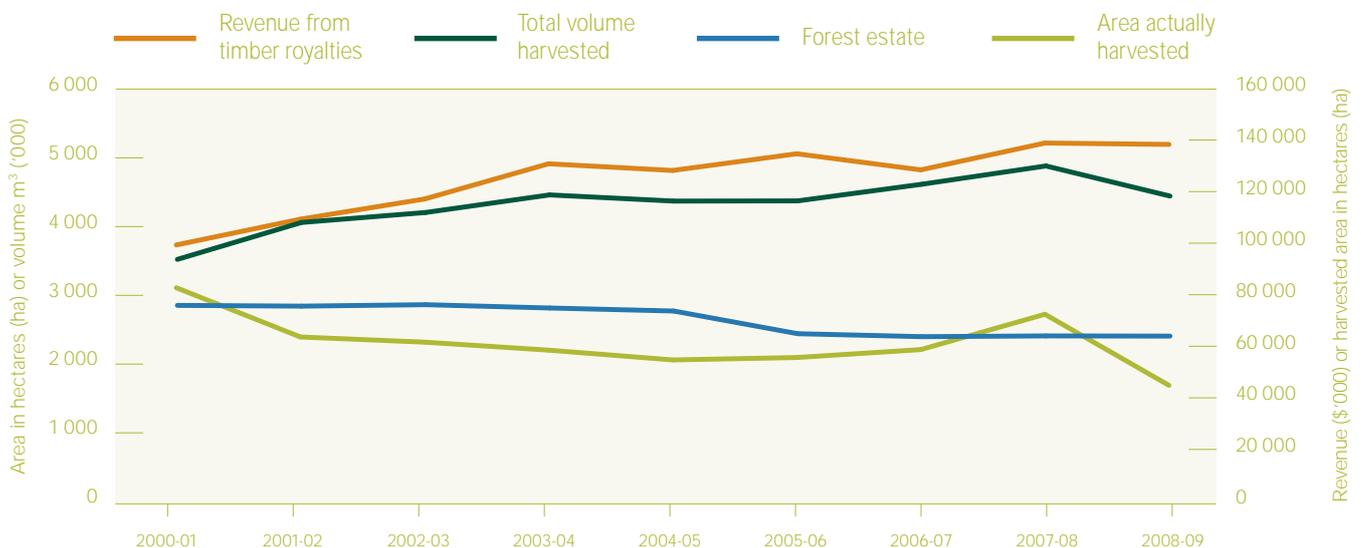
Like all timber from sustainably managed sources the charcoal produced by our customers is less energy intensive to produce than comparable products and when used it permanently eliminates atmospheric emissions that would otherwise have resulted from the use of fossil fuels. This is because timber grows back fixing the carbon released through decomposition or burning.

Forests NSW largest producer, Pendleton Bay Pty Ltd, is based at Balranald, in the NSW south west near the Murray River, where they have been producing charcoal for the last four years. If you want to make sure the charcoal you use is from a sustainably managed source ask your supplier if they have sourced the timber from certified forests, such as NSW State forests.



Photo by Howard Spencer

Forest productivity



Native forest silviculture in action

The illustrated profiles show the stages of a typical eucalypt State forest, where harvesting using the Australian Group Selection system is undertaken. Groups of mature blackbutt (*Eucalyptus pilularis*) are harvested to encourage these light-demanding species to regenerate successfully.

2009



This profile view shows 40-meter-tall blackbutt dominating on the left, while a group of younger blackbutt are on the right. This area would be typically surrounded by non-harvested areas, along drainage features and other exclusion zones.

2009
Post
harvest



The group of mature blackbutt are harvested to encourage this light-demanding species to regenerate successfully. A habitat tree is retained on the left of the harvested groups, while a seed tree is retained on the right.

2019



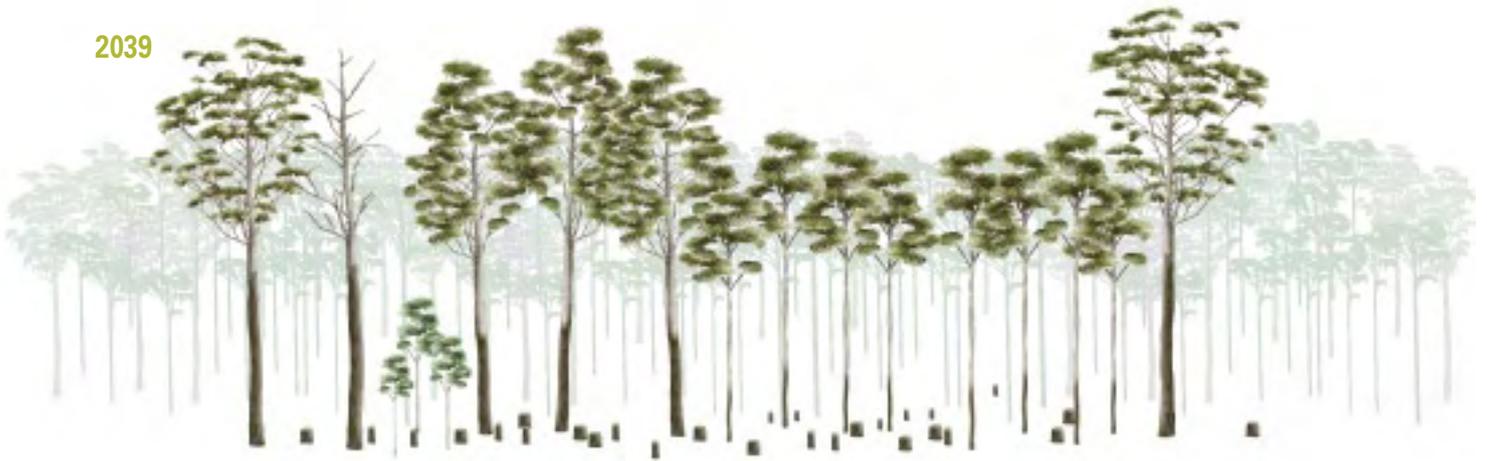
Young blackbutt have regenerated into the gap, while the blackbutt on the right are thinned out to give the best trees room to grow.

2029



The habitat tree on the left has died and will be retained for ecological reasons, unless it is an OHS risk. The blackbutt seed tree is likely to be the source of the seed for the regeneration on the right.

2039



The blackbutt seed tree is harvested at the same time as the group of blackbutt on the left are thinned.

2049



The dead habitat tree falls, but the gap is already being filled by trees either side and below. While the number and size of trees in any given area changes over time, Forests NSW ensures that the overall amount of timber, measured by volume, remains the same. This is central to ecologically sustainable forest management.

Carbon is stored in trees' woody material and therefore in long life wood products. The amount of carbon stored is supplemented by the stumps and roots of the removed trees, which do not break down for many years.

Social indicators

Indicator 1 - Social responsibility				
Objective: Increase voluntary activities in non-operational business areas				
Corporate sponsorships, donations and waived fees	2005-06	2006-07	2007-08	2008-09
Number	394	381	541	214
Amount	\$115 510	\$126 918	\$122 375	\$57 485
Volunteering programs				
Number of programs	19	18	16	13
Number of participants	192	138	267	186

Indicator 2 - Public participation				
Objective: Increase opportunities for stakeholder participation in planning. Actively engage and involve our neighbours in management of the community's forests				
Community forum categories	1997-98	2006-07	2007-08	2008-09
Catchment management	47	26	25	36
Community bushfire management	14	198	202	127
Community/school/education	29	76	44	54
Conservation/environmental	46	37	21	36
Cultural management	n/d	177	180	167
Feral animals/noxious weed control	79	61	70	97
Flora and fauna management	17	12	16	41
Forestry/forest practices	40	23	22	40
Industry/stakeholders	213	119	98	82
Local emergency management	63	18	12	12
Local government	44	24	24	42
Other	116	29	23	24
Recreation/tourism	252	48	27	38
Regional planning/Regional Forest Agreement	67	57	22	17
Total	1 027	905	786	813

Objective: Be responsive to neighbours' and stakeholders' concerns and professionally conciliate any issues			
Community liaison		2007-08	2008-09
Ministerials handled ¹		129	383
Public complaints received		308	143
Public complaints resolved		100%	93%
Public enquiries handled		31 000	24 000

Forests NSW has a Non-Conformance and Improvement Reporting system, through which significant breaches, improvement suggestions and regionally received complaints are registered and related action tracked.

¹ The process for responding to letters of inquiry or complaint addressed to the CEO or Minister uses a separate system. Forests NSW written response to a public inquiry through the Minister's office requires approximately 3 hours to prepare.

Indicator 3 - Recreation and tourism				
Objective: Maintain opportunities for events and partnerships				
Permits for organised recreational activities	1998-99	2006-07	2007-08	2008-09
Bowhunting/archery	60	2	2	3
Bushwalking	23	8	6	5
Car rallies /go-karts	38	28	36	24
Ecotourism/4WD tours	54	21	5	21
Education/outdoor education schools	27	49	46	27
Fossicking	n/r	44	22	116
Horse, trail and endurance rides	32	29	25	24
Motorbike rallies	6	21	18	8
Mountain bike rallies	30	35	46	51

Indicator 3 - Recreation and tourism (Cont'd)				
	1998-99	2006-07	2007-08	2008-09
Orienteering/mountain runs/triathlons	37	22	29	22
Other	22	147	288	181
Training/exercises	152	29	17	35
Total activities	481	435	518	517
Area zoned primarily for recreation (ha)	n/d	4 490	4 749	6 164
Expenditure on recreation (\$'000)	n/r	\$2 721	\$2 092	\$2 437

Recreational facility numbers are reported on page 16

Indicator 4 - Research and education		
Objective: Cost-effective research services from NSW DPI and within Forests NSW		
	Research (\$M)	Education (\$M)
1998-99	\$7.2	n/d
2005-06	\$6.9	\$4.2
2006-07	\$7.0	\$4.2
2007-08	\$7.6	\$2.9
2008-09	\$4.6	\$2.6

The Science & Research & Forests NSW Research & Development Annual Report 2008-09 documents significant projects during the year and is obtained through the NSW DPI website

Number of people participating in programs and receiving information through Cumberland State Forest				
Objective: Provide a strategic education program				
Activity	1998-99	2006-07	2007-08	2008-09
School – lower primary	1 197	482	685	512
School – upper primary	1 585	4 792	2 757	3 168
School – secondary	753	150	437	376
School holiday activities	1 008	429	292	438
Information services – by phone	n/r	3 924	3 914	4 153
Information services – by email	n/r	6 454	6 772	756

This year's information by email figure relates to emails sent to cumberland@sf.nsw.gov.au, which is the prime public email address promoted on publications and the DPI website. Previous years figures were an estimate of all external correspondence and was not an appropriate indicator.

Indicator 5 - Regional employment					
Objective: Provide opportunities for employment in forest-dependant industries					
State forests dependant sector	1997-98	2005-06	2006-07	2007-08	2008-09
Apiary	302	294	419	352	354
Ecotourism	88	37	37	10	39
Forest management	1 566	1 069	1 045	943	888
Grazing	165	552	553	530	489
Harvesting & haulage	1 132	1 292	1 245	1 087	1 131
Other ¹	136	228	62	52	54
Primary processing ²	4 328	5 306	4 835	4 483	4 325
Total	7 717	8 778	8 196	7 461	7 235

¹ Includes plantation establishment contractors, gravel extraction and other forest product removal.

² Processing undertaken at a site where the input is raw material supplied by Forests NSW.

The figures produced here are estimates based on licences, contracts, volumes of timber harvested and local knowledge. The 2006 Census provides another indicator of forestry sector employment.

NSW forestry employment ¹	Individuals
Distribution	1 446
Forest management & harvesting	5 124
Primary processing	5 343
Support	831
Total	12 744

¹ Derived from 2006 Census data

Indicator 6 - Other forest products

Objective: Access maintained to State forests for apiary, grazing and other products appropriate to forests

Forest product	1997-98	2005-06	2006-07	2007-08	2008-09
Advanced plants sold to public (No.)	5 491	6 213	6 505	80 355	168 422
Apiculture (sites)	3 843	3 371	3 363	1 310	2 583
Bark (tonnes)	1 109	0	0	0	17
Broombush (tonnes)	1 977	3 611	4 255	4 225	3 338
Burls (tonnes)	44	9	1	0	1
Charcoal (tonnes)	119	1 594	1 465	1 417	1 188
Communication sites (permits)	126	134	135	120	159
Craft timber (m ³)	33	1 677	35	12	7
Film/documentary (permits)	3	12	4	5	6
Firewood (tonnes)	75 615	41 941	42 613	88 271	50 902
Forest maps sold to the public ¹	5 491	6 213	6 505	7 489	6038
Gravel/sand/rock (tonnes)	69 495	88 952	88 147	94 665	60 802
Grazing (hectares)	768 946	652 699	688 525	645 040	608 193
Misc native plants pieces (No.)	1 219	3 820	3 544	454	2 060
Nursery seedlings to public (No.) ²	1 148 000	1 096 806	1 647 400	1 178 402	658 131
Other structures (permits)	227	168	153	188	175
Powerlines/cables/pipelines (km)	2 886	5 286	5 006	4 876	n/r
Research (permits)	215	58	69	51	81
Seed (kg)	969	53	51	102	167
Wood blocks (No.)	0	3 750	3 750	50	79
Total value ('000)	n/r	\$ 6 242	\$ 6 461	\$ 6 315	\$ 6 235

Amenity nurseries operated as a separate business unit for the first time during 2008-09.

¹ Includes maps sold via www.shop.nsw.gov.au

² Does not include plantation stock sold to external plantation owners.

Number of commercial nursery seedlings and cuttings produced

Product type (millions)	2002	2005	2006	2007	2008
Forests NSW seedlings	4.2	6.6	5.3	6.2	10.5
Forests NSW cuttings	0.8	0.9	1.3	0.8	0.7
Private seedlings	1.4	2.1	2.4	2.2	1.3
Total number	6.6	9.6	9.0	9.2	12.5

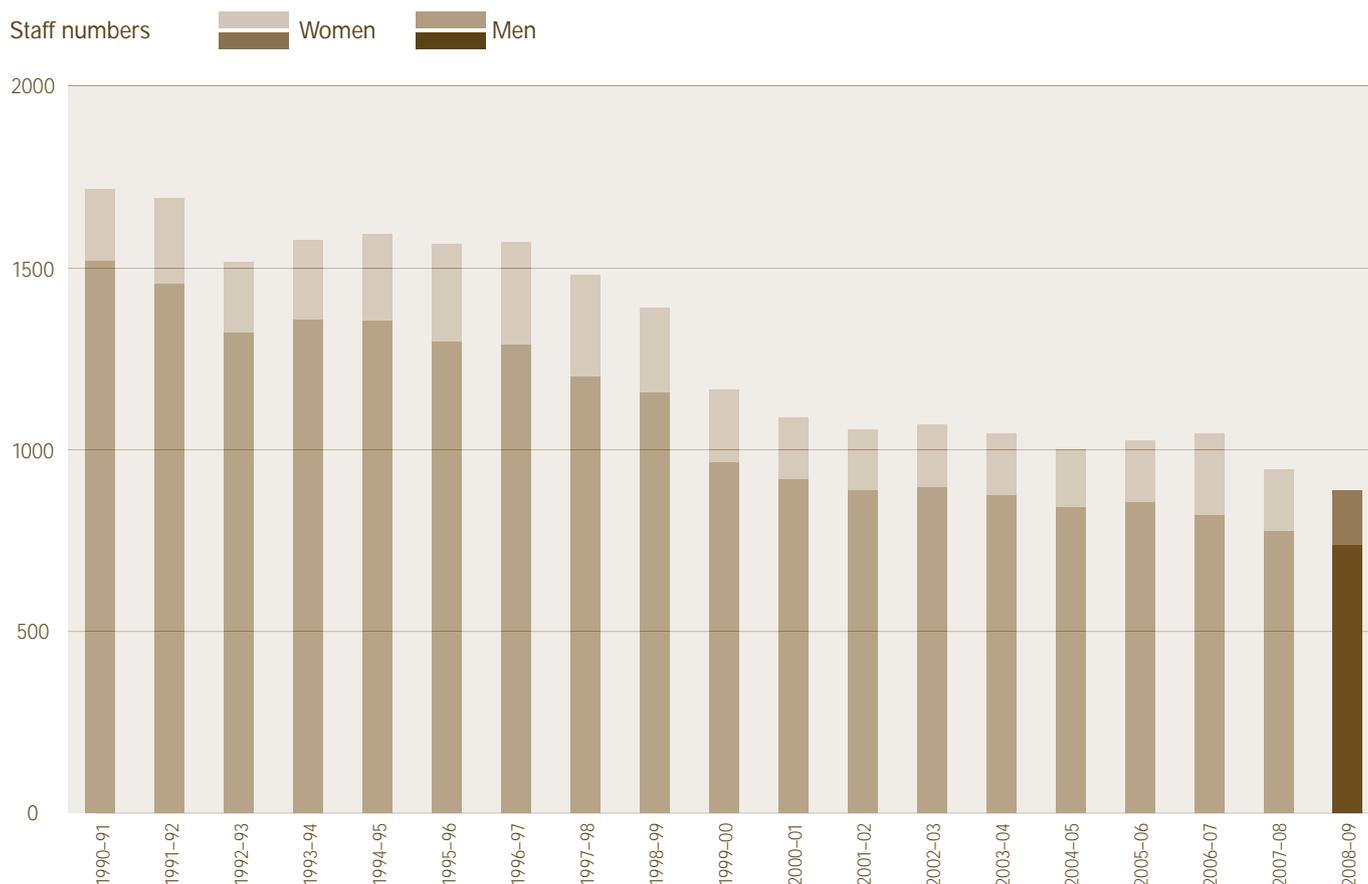
Indicator 7 - Quality of management

Objective: Maintain staff levels for effective and efficient operations

	Men	Women	REERM	People with disability	Aboriginal & Torres Strait Islanders	Total staff	Expenditure on HR management (\$M)
1999-00	965	253	45	74	26	1 218	n/r
2005-06	860	209	78	70	25	1 069	\$1.34
2006-07	820	225	49	48	23	1 045	\$1.10
2007-08	775	172	38	50	20	943	\$1.74
2008-09	736	152	34	44	19	888	\$4.10

The total staff figure is a head count of full time equivalent employees excluding casuals, whilst that for other diversity groups is an extrapolation calculated using the figures available.

Forests NSW has undergone several restructures in line with Government policy and directives over the past 16 years. Significant organisational reviews occurred in 1992, 1997 and most recently over the past two years. As a result there has been a fall in staff numbers during this time.



Indicator 8 - Training

Objective: Operations implemented by appropriately trained staff and contractors

Training categories	2006-07	2007-08	2008-09
Authorised Officer training	20	14	1
Communication & facilitation	141	28	4
Computer skills	7	64	65
Cultural heritage	88	52	57
Environmental	137	68	29
Fire	119	197	261
Flora and fauna identification and management	4	2	0
Forest management, inventory and silviculture	21	10	1
HR management	41	23	38
Induction	123	162	153
Management & leadership	38	77	130
Map reading and airphoto interpretation	6	27	21
OHS - including chemical use, traffic control and first aid	1 519	2 395	270
OHS - legislation & awareness	605	457	319
Operator and supervisor training	569	456	212
Pest and weed control	7	6	66
Product and service identification and assessment	19	211	18
Roading and road survey	20	3	0
Soil and water	91	71	90
Workshops	n/r	n/r	5
Total	3 575	4 323	1 740
Expenditure on training (\$M)	\$2.3	\$2.2	\$1.8

The drop in individuals trained is mainly due to the completed rollout of various training courses, particularly in the OHS category.

Contractors working in State forests in timber harvesting, road construction/maintenance or silvicultural works often help supplement the firefighting resource in the event of a fire emergency. Forestry Contractors often supply equipment and unique skills to the firefighting effort. All personnel engaged by Forests NSW on a fire line must meet health and fitness requirements and be trained in firefighting. In 2008-09 Forests NSW provided 88 training units to contractors.

Indicator 9 - Health and safety

Objective: To be the safest commercial forest manager in Australasia with a recordable incident rate of less than one.
Information associated with the indicator 'Health and safety' is found on page 15.

Indicator 10 - Management of cultural heritage

Objective: Identify and protect all significant cultural heritage sites

	2001-02	2005-06	2007-08	2008-09
Number of cultural heritage surveys	n/d	260	184	205
Area managed for cultural heritage	176	4 234	5 336	5 034
Agreements for co-management of land (No.)	3	4	3	3
Agreements for co-management of land (ha)	1 730	55 022	53 279	53 279
Partnerships	19	11	10	9
Land with recognised native title	0	0	30 782	30 782

The area managed for cultural heritage has been updated for 2007-08 as it had been under-reported.

Objective: Ensure all appropriate employees and contractors are trained in cultural heritage awareness

	2001-02	2005-06	2007-08	2008-09
Number of employees and contractors trained	239	78	52	57

The people trained in cultural heritage during the year were all harvesting and haulage contractor employees. Over 300 operational staff and all harvesting and haulage contractor employees are trained in cultural heritage.

Environmental indicators**Indicator 11 - Extent of forest type**

Objective: Maintain area of native forest for the sustainable supply of timber

	2008-09	
	Area (ha)	%
Broad forest types ¹		
Alpine ash forest	17 319	1%
Blackbutt forest	112 883	6%
Blue gum forest	126 612	7%
Messmate forest	231 975	12%
Mixed coastal eucalypt	221 278	12%
Non eucalypt forest	11 287	1%
Non forest	65 567	3%
Other inland eucalypt types	177 538	9%
Rainforest	88 964	4%
River red gum forest	110 273	6%
Snow gum woodland	27 372	1%
Spotted gum forest	181 742	10%
Stringybark forest	182 045	10%
Un-classified	192 075	10%
White cypress pine forest	161 167	8%

¹ Excludes native forests within planted forest estate.

Objective: Increase capacity of plantations to meet sustainable supply of timber

	1999-00	2008-09	
	%	Area (ha)	%
Plantation type ¹			
Softwood (<i>Pinus spp</i>)	57	204 828	41
Hardwood (<i>Eucalyptus spp</i>)	14	46 483	9
Total planted area	71	251 311	50
Retained vegetation and infrastructure	21	215 893	43
Land for future planting	8	30 506	6
Other exclusions	n/r	3 655	1
Total planted forest estate	100	501 365	100

¹ This figure includes State forest, Joint Venture and Annuities. Areas for hardwood plantation include pre-1994 plantations that may or may not be accredited are also included.

Indicator 12 - Native forest structure

Objective: Ecosystems maintained over a range of successional growth stages and forest management zones

Structure class	Dedicated reserve	Informal reserve – Special management	Informal reserve – Harvest exclusion	Special prescription	General management	Non forestry use	Further assessment	Percentage of total native forest
Forest Management Zone	1	2	3a	3b	4	7	8	
	%	%	%	%	%	%	%	%
High conservation value old growth	1.3	37.9	57.1	0.2	2.8	0.1	0.6	4.8
Rainforest	3.1	34.7	37.1	0.6	19.3	0.1	8.9	4.6
Mature	1.5	10.1	12.3	2.3	64.8	0.2	7.5	28.1
Regrowth	0.9	5.4	5.3	3.0	77.7	0.2	2.9	26.6
Not assigned	0.7	0.8	14.1	10.5	70.2	0.3	2.9	35.9
Percentage of total native forest	1.3	8.0	14.4	5.3	65.1	0.2	5.8	100

This information was originally used in the establishment of a Comprehensive and Adequate Reserve system for State forest in Forest Agreement areas. Changes in this data from previous years are related to corrections in collation rather than on-the-ground changes in structure. Note also that native forest areas within the planted forest estate have not been included here, as a structure class if unavailable.

Indicator 13 - Sightings of surveyed species

Objective: Threatened species at risk from forestry operations identified and adaptive management applied.

Threatened fauna species sightings	1997-98	2006-07	2007-08	2008-09
Arboreal mammals	268	1 129	989	601
Ground mammals	195	31	22	117
Frogs	204	305	324	175
Bats	93	66	183	1 065
Raptors	86	182	133	85
Non raptor birds	110	542	402	1 058
Reptiles	n/r	1	0	4
Total	956	2 256	2 053	3 105
Threatened flora species reported	n/r	n/r	8	6
Number of fauna surveys	n/r	1 779	2 754	1 591
Number of compartment traverses	n/r	n/r	n/r	431
Fauna sightings per survey	n/r	1.27	0.75	1.95
Expenditure on surveys ('000)	n/r	\$1 427	\$621	\$1 764

In the past 15 years Forests NSW has collected 14% of NSW total threatened species records.

Indicator 14 - Expenditure on pest animal and weed control

Objective: Manage weeds and animal pests through active coordinated and cooperative programs

Year	1997-98	2006-07	2007-08	2008-09
Weeds	\$1 325 000	\$779 070	\$596 874	\$898 940
Pest animals	\$328 000	\$586 343	\$546 194	\$584 800
Total	\$1 653 000	\$1 365 413	\$1 143 068	\$1 483 740

Forests NSW continues to be a major contributor to control programs for foxes, dogs, goats, pigs, cattle, blackberries, willow, serrated tussock, horehound, lantana and patersons curse. To read more details about our wild dog and fox control programs see page 23.

Indicator 15 - Plantation health

Objective: Monitor and address plantation health issues: minimise impact of health issues on plantations

Hardwood plantation ¹	2001-02	2006-07	2007-08	2008-09
Agent	%	%	%	%
Bell-Miner Associated Dieback (BMAD)	n/d	n/d	n/d	0.001
<i>Creilis psyllid</i> and <i>cardiaspina psyllid</i>	n/d	n/d	3.0	0.7
Frost damage	n/d	0.0	0.2	0.0
Herbivorous and sap-sucking insects	5.8	3.0	3.0	1.8
Leaf and shoot fungi	2.4	2.0	2.0	0.0
Stem borers (insects)	0.1	3.0	5.0	11.0

¹ Planted hardwood forest post 1994

Softwood plantation ²	2000/01	2006-07	2007-08	2008-09
Agent	%	%	%	%
<i>Dothistroma septosporum</i> (needle blight)	2.0	0.5	1.0	1.0
Drought (<i>Diplodia pinea</i> (fungus) & <i>Ips grandicollis</i> (bark beetle))	0.5	6.0	15.0	4.0
<i>Essigella californica</i> (aphid)	n/d	40.0	47.0	32.0
Possum	0.2	1.0	6.0	6.0
<i>Sirex noctilio</i> (woodwasp)	0.0	1.2	1.5	0.8

² Based on the planted area of the softwood plantation estate.

Bell-Miner Associated Dieback has been reported in the post '94 hardwood plantation estate for the first time this year.

Indicator 16 - Firefighting and prevention

Objective: Managed through integrated and cooperative fire hazard management and wildfire suppression programs, resulting in less than 0.3 percent of forest estate burnt by damaging wildfire

Wildfire	2001-02	2006-07	2007-08	2008-09
Percent of total State forest estate	3.50%	3.9%	0.3% ¹	0.1%
Expenditure (million)	\$2.7	\$3.0	\$1.8	\$1.0

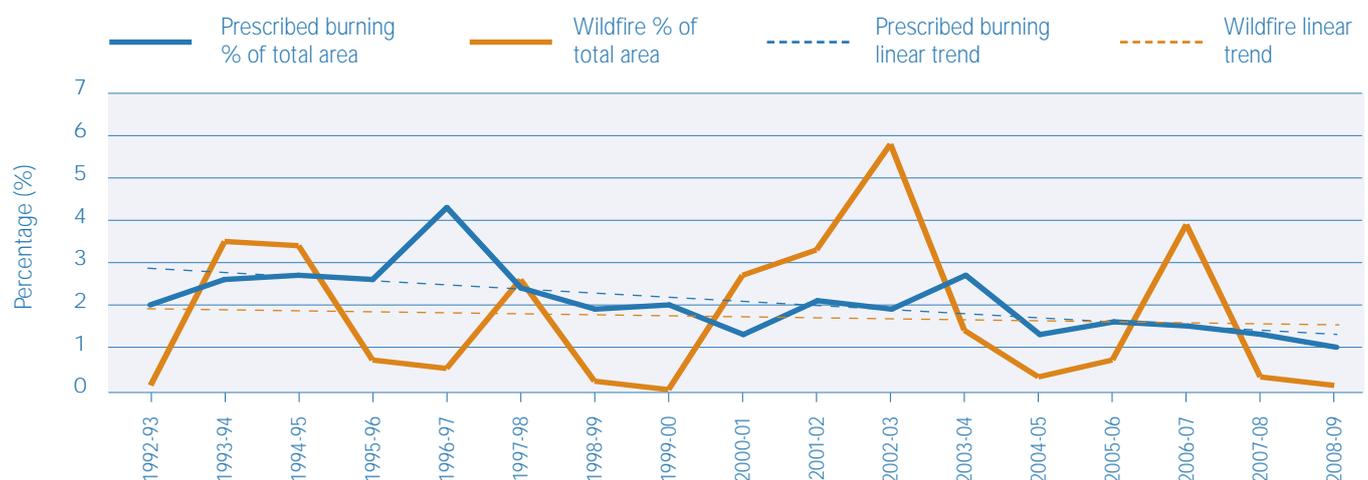
Fuel management	2001-02	2006-07	2007-08	2008-09
Hazard reduction (hectares) ²	58 893	37 014	32 474	24 988
Hazard reduction outside of Forests NSW estate (ha)	n/r	n/r	5 092	612
Grazing (hectares)	644 966	564 591	528 933	498 718
Expenditure (million)	\$6.1	\$8.2	\$9.8	\$9.6

¹ Incorrectly reported as 0.03% in 2007-08.

² includes pre and post harvest burning.

While the expenditure provided here relates directly to wildfire and fuel management costs, substantial contribution through the provision of infrastructure, equipment and silviculture has not been quantified.

Wildfires and prescribed burns trend as percentage of Forest NSW estate



Indicator 17 - Soil and water management

Objective: Maintain ecological processes associated with soil and water. Assess all areas to be harvested for risks to soil and water quality

	1999-00	2005-06	2006-07	2007-08	2008-09
Area assessed for soil and water (hectares)	n/r	117 190	125 554	131 857	108 619
Expenditure on harvesting supervision and environmental compliance in native forests ('000)	n/r	\$6 009	\$6 219	\$5 164	\$5 561
Expenditure on harvest planning & pre-harvest surveys ('000)	n/d	n/d	n/d	n/d	\$3 997
Area of native forest harvesting operations	56 900	43 709	45 945	57 631	31 252
Area of softwood plantation harvesting operations	14 000	11 930	12 754	14 659	13 342
Area of hardwood plantation harvesting operations ¹	0	0	10	127	252
Total Area harvested ²	73 000	50 408	53 364	64 261	38 305
Percent of forest estate harvested	2.4%	2.1%	2.4%	2.7%	1.6%
Soil and water non-compliance incidents self reported	1 255	284	395	318	28
Fines received in relation to soil and water	3	4	2	2	0

¹ Relates to post 1994 plantations.

² Excludes thinning operations in plantations.

Objective: Protect water catchment values in socially strategic or environmentally sensitive locations.

	1999-00	2005-06	2006-07	2007-08	2008-09
Fully protected land (hectares) ¹	290 700	196 049	182 619	183 752	183 752
Partly protected land (hectares) ²	30 200	53 587	62 839	60 295	76 709
Total³	320 900	249 636	245 458	244 047	260 461

¹ Includes wetlands, filter strips reserved from harvesting and areas with extreme risk of erosion or water pollution hazard.

² Includes Forest Management Zone "Catchment" and filter strips protected in areas where modified harvesting methods are permitted.

³ Excludes substantial tracts of land otherwise zoned primarily for natural and cultural protection which also provide a catchment protective function.

Forests NSW carries out extensive soil and water assessments prior to harvesting. Conditions implemented are consistent with the level of risk to soil erosion and water pollution.

Indicator 18 - Regulatory compliance

Objective: Achieve a 100% external regulatory compliance rate with zero penalty infringement notices, prosecutions and fines

Compliance items	1999-00	2005-06	2006-07	2007-08	2008-09
Number of compliance check sheets conducted					
- 1st tier supervision checks	5 428	3 184	3 396	4 013	3 512
- 2nd tier supervision checks	420	347	444	643	463
- 3rd tier supervision checks	n/r	27	50	58	21
- 4th tier supervision checks	n/r	0	3	6	2
Total	5 848	3 558	3 893	4 720	3 998
Number of non-compliance incidents (NCI) recorded by Forests NSW supervision for corrective action					
-NCI's related to soil erosion & water quality	1 255	284	395	318	28
-NCI's related to flora and fauna	469	281	192	89	93
-NCI's related to fish habitat & passage	1	0	0	0	0
other NCI issues (e.g. safety)	314	577	410	689	434
Total	2 039	1 142	997	1 096	555
Number of fines issued to Forests NSW by regulators					
Fines to DECC (NPWS)	0	0	1	2	1
Fines to DECC (EPA)	3	4	2	2	0
Fines DPI Fisheries	0	0	0	0	0
Total	3	4	3	4	1
Number of prosecutions recorded against State forests					
Prosecutions by NPWS	1	0	0	0	0
Prosecutions by EPA	0	0	0	0	0
Prosecutions by NSW Fisheries	0	0	0	0	0
Total	1	0	0	0	0

The one fine recorded in 2008-09 was an unsubstantiated claim relating to the application of licence prescriptions within Western Region and was paid, rather than contested, to resolve the issue.

Indicator 19 - Carbon sequestration in State forests

Objective: Maintain a positive contribution to Australia's net emission reduction program for carbon dioxide

Planted forest type	2002-03	2007-08	2008-09
Softwood (tonnes sequestered)	3 654 974	3 411 265	3 562 973
Hardwood (tonnes sequestered)	585 331	624 344	563 223

CO_2 sequestered (tonnes CO_2 -e) = net plantation area x MTBI x CP x CCF where:

MTBI = SBI + CBI + RBI where:

SBI (Stem Biomass Increment) = TSVI x BD where: TSVI (Total Stem Volume Increment) - softwood = $16m^3/ha/year$ and hardwood = $15m^3/ha/yr$
 BD (Basic Density) - softwood = $0.42 t/m^3$ and hardwood = $0.55t/m^3$

CBI (Canopy Biomass Increment) = SBI x .1765

RBI (Root Biomass Increment) = (SBI + CBI) x .2

CP (Carbon Proportion) = 0.5

CCDF (Carbon to Carbon dioxide Factor) = 3.667

Net plantation area = Net Stocked Area in State forest and Joint Venture plantations (refer Indicator 27)

Objective: Maintain a positive contribution to Australia's net emission reduction program for carbon dioxide

Native forest carbon balance

Measured in millions of tonnes (Mega tonnes)	2006-07	2007-08	2008-09
Total standing volume CO_2	914	911	920
Annual CO_2 sequestered forest growth	6.55	6.53	6.35
Annual CO_2 harvest storage in hardwood products	0.51	0.54	0.53
Annual CO_2 harvest emissions	1.16	1.37	1.26
Annual CO_2 fire emissions	6.83	0.98	0.51
Annual non CO_2 fire emissions	2 741 634	392 409	226 305
Annual Sequestration (Mega tonnes)	2006-07	2007-08	2008-09
Net CO_2	-1.96	3.63 ¹	4.06

¹ This figure has been adjusted downwards due to an over statement of State forests area in last years calculations.

The assumptions used in this model are largely based on National Greenhouse Accounts (NGA) Factors and are the best available to date. The model reports the amount of carbon stored in State forests, forest products derived from State forests, emissions associated with harvesting and fire.

Note the large amount of emissions associated with fire in 2006-07. This acknowledges the sensitivity of forest carbon balances to fire. Net carbon emissions from bushfires are reduced through undertaking prescribed burns, as these burn less intensively.

Model A

CO_2 sequestered (tonnes CO_2 e) = net plantation area x MTBI x CP x CCF where:

MTBI = SBI + CBI + RBI where:

SBI (Stem Biomass Increment) = TSVI x BD where:

TSVI (Total Stem Volume Increment) native forest ave = $5m^3/ha/yr$

BD (Basic Density) = $0.325t/m^3$ (source AGO 2006)

CBI (Canopy Biomass Increment) = SBI x .1765

RBI (Root Biomass Increment) = (SBI + CBI) x .2

CP (Carbon Proportion) = 0.5

CCF (Carbon to Carbon dioxide factor) = 3.667

Model B is based on Weighted Average Growth rates in the AGO methodology 2006 (refer table A1) for the estimation of GHG emissions and sinks for the broad forest types within State forest

Note that both methods were applied and the mean figure used. No adjustment for age class made.

Indicator 20a - Energy consumption

Objective: Reduce greenhouse gas emissions and increase energy sourced from green power

Energy use	2008-09				% change to 2007-08
	Total energy	CO ₂ e emissions (tonnes)			
		GJ	Scope 1	Scope 2	
Electricity (kWh)	9 454	-	2 354	444	-6
Green power (kWh)	237	-	-59	-11	2
Natural gas (MJ)	488	25	-	7	-3
LPG (kg)	1 220	73	-	6	-34
Petrol (L)	7 460	499	-	40	-12
E-10 (L)	495	31	-	5	new
Auto distillate (diesel) (L)	67 994	4 753	-	360	-6
Total	87 349	5 381	2 295	852	-7

Scope 1: Direct greenhouse gas emissions

Scope 2: Indirect emissions from the generation of purchased electricity

Scope 3: Indirect emissions from the extraction, production and transport of the specified fuel

Note that these figures do not include emissions produced by contractors.

Indicator 20b - Fleet

Objective: Optimising fleet composition to meet business needs in a cost-effective and environmentally responsible manner

Fleet	Fuel type	2000-01	2006-07	2007-08	2008-09
Light vehicles	Diesel	573	439	342	374
	Petrol	239	106	73	66
	LPG	0	1	1	1
	Hybrid	0	1	1	1
	Total number vehicles	812	547	417	442
Trucks and light plant	Diesel	139	190	172	172
	Petrol	11	5	4	0
	LPG	0	4	4	0
	Total number fleet trucks and light plant	150	199	180	172
Heavy plant	Diesel	86	49	41	52
	Petrol	0	0	0	0
	Total number fleet heavy plant	86	49	41	52

Indicator 21a - Material consumption and recycling

Objective: Reducing the overall waste volume generated and the volume of waste disposed to landfill. Recycle appropriate wastes and use recycled content materials.

Percentage recycled or re-used	2008-09
	%
Cardboard	76
Co-mingled containers	30
Computers	92
Copy paper	86
Monitors	98
Percentage of total purchased with recycled content	2008-09
	%
A3 paper	83
A4 paper	9
Printing paper	10
Toner cartridges	17

This data is reported in more detail in our Waste Reduction and Purchasing Policy Report as part of our commitments under the NSW Sustainability Policy. You can also find more information in part 2 of this report.

Indicator 21b - Water usage

Objective: Improve efficiency of water usage and minimise waste

Water usage in kilolitres	2008-09
Nurseries	108 349
Depots & offices	16 682

Economic indicators**Indicator 22 - Volume of timber harvested**

Objective: Meeting contractual obligations to customers

Product	1999-00	2005-06	2006-07	2007-08	2008-09
Sawlogs and veneer logs (m³)					
Native forest hardwood sawlogs	786 774	664 778	566 706	608 961	556 244
Hardwood plantation sawlogs	55 466	64 364	105 510	121 452	114 382
Cypress pine sawlogs	101 881	70 974	57 578	50 245	55 175
Plantation softwood sawlogs	1 648 790	1 964 487	1 955 399	2 100 251	1 894 454
Plantation softwood veneer logs	70 919	44 464	32 079	30 569	26 237
Native forest hardwood veneer logs	10 600	10 118	8 777	6 679	7 513
Hardwood plantation veneer logs	2 819	3 191	7 073	10 510	9 196
Total sawlogs and veneer logs	2 677 249	2 822 376	2 733 122	2 928 668	2 663 202
Poles, piles and girders (m³)					
Native forest hardwood	28 432	25 984	27 387	25 154	28 136
Plantation hardwood	5 479	11 535	11 768	14 286	10 116
Total poles, piles and girders	33 911	37 519	39 155	39 440	38 252
Round timber (m³)					
Preservation plantation softwood	56 422	27 706	68 472	87 859	87 054
Pulpwood (tonne)					
Native forest hardwood pulpwood	503 546	504 259	551 955	531 089	427 871
Plantation hardwood pulpwood	82 660	39 433	64 431	75 067	83 777
Plantation softwood pulpwood	636 058	983 298	1 188 478	1 164 137	1 081 236
Total Pulpwood	1 222 264	1 526 990	1 804 864	1 770 293	1 592 884
Other					
Fencing/landscape/sleepers/firewood (m ³)	7 575	30 833	50 419	25 116	73 010

Indicator 23 - Product mix of timber harvested

Objective: Increase the percentage of wood harvested going to high value products

Sawlog product mix from hardwood forests (native and plantation)	1995-96	2007-08
Product	%	%
Dry structural	21	7
Floorboards	22	48
Joinery/furniture	1	6
Decking & panelling	4	6
House framing	30	14
Pallets	12	9
High strength structural	2	2
Fencing/landscape	8	8

Indicator 23 - Product mix of timber harvested (Contd)

Sawlog product mix from softwood plantation	1995-96	2007-08
Product	%	%
House framing	71	73
Joinery/furniture	2	1
Decking/panelling	1	6
Floorboards/bearers/joists	3	3
Fencing/landscape	7	6
Other preservation	1	4
Unseasoned	14	7

This information was collected by Forests NSW up to last year. In January 2009 it was outsourced along with the rest of the Timber Market Survey to URS Forestry, demonstrating the maturing of the survey and its industry wide recognition. The Timber Market Survey is the premier source of timber price information in Australia. Forests NSW developed the survey over 10 years ago and it has been jointly funded by all major forest growers in Australia since that time.

Indicator 24 - Carbon accounting¹

Objective: Create maximum number of National Greenhouse Abatement Certificates from compliant plantations

	2004-05	2006-07	2007-08	2008-09
Number of certificates created ²	166 005	538 471	694 935	660 382
Area of plantation accredited for carbon trading	n/r	23 515	26 864	26 756

¹ Note this indicator is not related to Indicator 19, which reports net atmospheric carbon sequestration in forests.

² Each certificate accredited represents one tonne of carbon dioxide removed from the atmosphere.

Sustainability indicators**Indicator 25 - Forest management intent**

Objective: Maintain net area available for timber production, while conserving large areas for significant values and managing ecological functions

Forest management intent	Land not available for harvesting (hectares)			Land available for harvesting (hectares)		
	1999-00	2007-08 ¹	2008-09	1999-00	2007-08 ¹	2008-09
FMZ 1 Dedicated reserve	33 500	23 868	24 398	0	0	0
FMZ 2 Informal reserve – Special management	322 500	152 243	152 295	0	0	0
FMZ 3a Informal reserve – Harvest exclusion	199 000	274 656	274 182	0	0	0
FMZ 3b Special prescription	54 500	21 508	23 302	13 500	78 687	77 055
FMZ 4 General management native forest	387 500	385 460	436 275	1 368 000	855 868	805 573
FMZ 5 Hardwood planted forest estate ²	0	44 137	46 099	46 000	66 388	52 889
FMZ 6 Softwood planted forest estate ²	102 600	154 507	165 760	201 720	233 621	234 496
FMZ 7 Non forestry use	8 000	4 389	4 421	0	0	0
FMZ 8 Land for further assessment	0	0	0	326 500	111 052	110 597
Total forest estate	1 107 600	1 060 767	1 126 731	1 965 720	1 345 617	1 280 610

¹ Figures have been corrected, due to an overstatement of native forest in the planted forest estate.

² Includes State forest (including pre 1994 plantations), joint venture and annuities.

Indicator 26 - Plantation establishment and survival

Objective: Plantations, which maintain the timber supply strategy, effectively established

Year	Area planted (ha)		Cost of ageclass at the end of subsequent Financial period		Percent requiring restocking after one year	
	Softwood plantation	Hardwood plantation	Softwood plantation	Hardwood plantation	Softwood plantation	Hardwood plantation
1995	4 732	941	n/r	n/r	n/r	n/r
2005	6 547	267	16 213 815	1 764 102	6%	0%
2006	6 527	0	11 344 312	3 064 352	63%	n/a
2007	7 702	0	12 490 603	1 254 758	26%	n/a
2008	10 185	1 526	15 036 322	4 883 150	26%	n/a

Previously reported figures for costs of ageclass, will increase where additional costs have been incurred, or may decrease where costs (e.g. seedlings) are reallocated. For example the intended areas was not planted with the 2007 ageclass, due to adverse conditions, with costs transferred to the 2008 ageclass.

Third party investor plantings are included.

Indicator 27 - Mean annual growth in planted forests

Objective: Plantation growth rates are at acceptable levels to achieve future productivity

Softwood plantation	2000-01	2007-08	2008-09
Annual increment ¹ (m ³)	3 465 000	3 419 171	3 686 903
Net stocked area ² (ha)	205 007	209 252	204 828
Mean annual increment ⁴ (m ³ /ha/yr)	16.9	16.3	18.0
Hardwood plantation ⁵	2000-01	2007-08	2008-09
Annual increment ¹ (m ³)	n/d	357 479	263 738
Net stocked area ² (ha)	n/d	26 227	26 374
Mean annual increment ⁴ (m ³ /ha/yr)	n/d	13.6	10.0

¹ Annual increment is the change in volume of the planted estate.

² Net stocked area is the area of the estate where trees are planted (i.e. does not include roads, environmental exclusion areas, area awaiting regeneration etc) as at the end of the financial year.

⁴ Mean annual increment (MAI) is an indication of the productive potential of an average hectare within the estate. The hardwood figure was calculated as part of the discounted cashflow valuation process. Both figures relate to total standing volume.

⁵ Relates to post 1994 hardwood plantations only. All post 1994 hardwood plantations are managed under the Plantations & Reafforestation Act 1999. For pre 1994 hardwood plantations the relevant native forests licence conditions are usually applied.

Indicator 28 - Native forest regeneration

Objective: 100% of surveyed harvest area effectively regenerated

Regeneration surveys	2005-06	2006-07	2007-08	2008-09
No. of regeneration surveys undertaken	53	20	14	44
Area surveyed (hectares) ¹	3 870	824	2 298	4 513
Percent with effective regeneration	74%	63%	94%	81%
Expenditure on silviculture and inventory ('000)	\$4 342	\$4 321	\$4 521	\$4 538

¹ Does not report regeneration 'cypress release' surveys undertaken in cypress forests prior to harvesting.

Indicator 29 - Sustainable yield¹

Objective: Harvesting of wood products is within allowable levels

Forest type	1999-00	2006-07	2007-08	2008-09
	%	%	%	%
Native hardwood forest	95	93	93	80
Native cypress forest	97	96	96	93
Softwood planted forest	95	98	98	73
Total pulpwood	102	89	89	86
Native pulpwood	100	93	93	112

¹ Within the scope of the wood supply and licencing agreements.

Indicator 30 - Forest certification

Objective: Maintain ISO 14001 & AFS 4708 standards

During 2008-09 Forests NSW was audited on one occasion against the Australian Forestry Standard (AS 4708:2007) and the Environmental Management System Standard ISO 14001:2004. Regions audited against the Australian Forestry Standard were Northern and Monaro planted forest regions, as were native forest regions Central and Southern. In addition the auditors visited the Corporate Offices in Cumberland State Forest during each audit.

The audit identified that ESFM plans and schedules had not been finalised and this was subsequently achieved to the auditors' satisfaction. Another issue related to the Adverse Impacts Identification Register and Procedure, which is part of the Environmental Management System. Social and economic aspects had not been included and this has since been rectified. A number of minor issues (referred to as non-conformances) and observations were also reported. Summary reports are available on request from Forests NSW.

Indicator 31 - Trading profit (before tax)

Objective: Meeting profitability and dividend targets as agreed with treasury and increasing management efficiency

Year	1999-00	2006-07	2007-08	2008-09
Value ('000) ¹	\$ 29 541	\$ 28 037	\$ 14 499	-\$16 389
\$'000 per employee	\$24.3	\$25.6	\$8.3	-\$18.5

¹ exclusive of forest revaluation, asset impairments, superannuation fund interest and significant items.

Abbreviations and acronyms

AFS	Australian Forestry Standard
CO ₂ e	'Carbon dioxide equivalent' the internationally recognised measure of greenhouse emissions
Cont'd	Continued
E-10	Petrol fuel mix with 10% ethanol
EPA	Environment Protection Agency, part of NSW DECC
ESFM	Ecologically Sustainable Forest Management
FMZ	Forest Management Zone
GJ	Giga Joules
GRI	Global Reporting Initiative
ha	Hectares
IFOA	Integrated Forestry Operations Approval
kg	Kilograms
km	Kilometres
LPG	Light Petroleum Gas
M	Million
m ³	Cubic metre
n/a	Not applicable
n/d	Not determined
n/r	Not reported as an indicator
No.	Number
NPWS	National Parks and Wildlife Service, part of NSW DECC
NSW	State of New South Wales
NSW DECC	NSW Department of Environment, Climate Change
OHS	Occupational Health and Safety
PDF	Adobe Portable Document Format
REERM	Racial, Ethnic and Ethno/Religious Minority Groups
yr	Year
DPI KRA	DPI Key Result Areas (See 2008-11 Corporate Plan of NSW Department of Primary Industries)

Places of business *Business Hours 8:30 am – 4:30 pm (Mon-Fri)*

Divisional and corporate offices

Corporate Office

PO Box 100, Beecroft 2119
121-131 Oratava Ave
West Pennant Hills 2125
(02) 9872 0111 Fax (02) 9871 5341
DX 4713 P/HILLS

Planted Forests Divisional Office

PO Box 100, Beecroft 2119
121-131 Oratava Ave
West Pennant Hills 2125
(02) 9872 0111 Fax (02) 9871 5341
DX 4713 P/HILLS

Native Forests Divisional Office

PO Box J19
Coffs Harbour Jetty 2450
Cnr High & Hood Streets
Coffs Harbour Jetty
(02) 6656 8800 Fax (02) 6651 2909

Regions

Hume Region

PO Box 291, Tumut 2720
Riverina Highlands Building
76 Capper Street, Tumut
(02) 6947 3911 Fax (02) 6947 2865

North East Region

PO Box 535, Coffs Harbour 2450
130 West High Street
Coffs Harbour
(02) 6652 0111 Fax (02) 6651 9891

Southern Region

PO Box 42, Batemans Bay 2536
Crown Street, Batemans Bay
1300 880 568 Fax (02) 4472 6557

Central Region

PO Box 168, Wauchope 2446
Maher Street, Wauchope
(02) 6585 3744 Fax (02) 6585 2392

Monaro Region

PO Box 83, Bombala 2632
Jonas Street, Bombala
(02) 6458 3177 Fax (02) 6458 3624

Western Region

PO Box 865, Dubbo 2830
Cnr Monash & Chelmsford
Streets, Dubbo
(02) 6841 4288 Fax (02) 6841 4771

Macquarie Region

PO Box 143, Bathurst 2795
Cnr Browning & William Streets
Bathurst
(02) 6331 2044 Fax (02) 6331 5528

Northern Region

Grafton Forest Technology Centre
PMB 4, Grafton 2460
Trenayr Road, Junction Hill (Grafton)
(02) 6640 1660 Fax (02) 6640 1650

Western Region (Riverina Office)
PO Box 610, Deniliquin 2710
449 Charlotte Street, Deniliquin
(03) 5881 9999 Fax (03) 5881 4200

Retail nurseries

Cumberland State Forest

PO Box 100 Beecroft 2119
95 Castle Hill Road,
West Pennant Hills 2125
(02) 9871 3222 Fax (02) 9872 7590

Gunnedah

PO Box 542 Gunnedah 2380
Cnr Martin & Mullaley Roads,
Gunnedah 2380
(02) 6742 3126 Fax (02) 6742 0618

Narrandera

PO Box 33 Narrandera 2700
Lake Drive, Narrandera 2700
(02) 6959 1223 Fax (02) 6959 2460

Dubbo

PO Box 2047 Dubbo 2830
Wellington Road
Dubbo 2830
(02) 6884 5319 Fax (02) 6884 7487

Muswellbrook

PO Box 219 Muswellbrook 2333
New England Highway
Muswellbrook 2333
(02) 6543 2622 Fax (02) 6543 1154

Wagga Wagga

PO Box 5336 Wagga Wagga 2650
Dept of Infrastructure, Planning and Natural
Resources
Olympic Way, Wagga Wagga 2650
(02) 6931 2600 Fax (02) 6931 3201

Commercial production nurseries *(no public enquiries)*

Grafton

Grafton Forest Technology Centre
PMB 4, Grafton 2460
Trenayr Rd, Junction Hill (Grafton) 2460
(02) 6644 7001 Fax (02) 6644 7041

Tumut

PO Box 347 Tumut 2720
Blowering Nursery
Blowering Road, Tumut 2720
(02) 6947 6210 Fax (02) 6947 4890

Financial statements

Part 2

Forests NSW

Consolidated annual financial reports

Year ended 30 June 2009

ABN 43 141 857 613

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Forestry Commission Division

Annual financial reports

Year ended 30 June 2009

ABN 83 326 008 792

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Income statement

For the year ended 30 June 2009

	Notes	Economic Entity 2009 \$ '000	Economic Entity 2008 \$ '000	Statutory Corporation 2009 \$ '000	Statutory Corporation 2008 \$ '000
Forest sales revenue	6(a)	262 893	252 848	262 893	252 848
Other revenue	6(b)	9 557	24 499	9 557	24 499
Grants revenue	6(c)	13 809	16 448	13 809	16 448
Expenses from operations	7	(203 018)	(185 902)	(203 018)	(185 902)
Depreciation and amortisation expense	13	(10 128)	(10 477)	(10 128)	(10 477)
Employee & related		(28 085)	(24 970)	-	-
Personnel services	26	(106 613)	(54 136)	(141 629)	(83 525)
Financing costs	8	(12 166)	(11 219)	(12 166)	(11 219)
Results from operating activities before net fair value adjustment, asset revaluations and impairment of assets		(73 751)	7 091	(80 682)	2 672
Change in fair value less estimated point of sale costs	14	45 020	26 764	45 020	26 764
Impairment of non-current assets	13	(17 942)	-	(17 942)	-
Profit/(Loss) before income tax		(46 673)	33 855	(53 604)	29 436
Income tax (expense)/credit	9	2 402	(10 880)	2 402	(10 880)
Net profit/(loss) for the year		(44 271)	22 975	(51 202)	18 556

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

Balance Sheet

For the year ended 30 June 2009

	Notes	Economic Entity 2009 \$ '000	Economic Entity 2008 \$ '000	Statutory Corporation 2009 \$ '000	Statutory Corporation 2008 \$ '000
Current Assets					
Cash and cash equivalents	10	13 791	11 640	13 791	11 640
Trade and other receivables	11	44 001	42 438	44 001	42 438
Inventories	12	9 970	8 161	9 970	8 161
Biological assets	14	49 613	43 500	49 613	43 500
Other assets	26	-	11 295	-	11 295
Current tax assets		268	1 491	268	1 491
Total Current Assets		117 643	118 525	117 643	118 525
Non-Current Assets					
Property, plant and equipment	13	1 125 085	1 183 882	1 125 085	1 183 882
Biological assets	14	620 387	581 500	620 387	581 500
Investment assets	15	8 750	7 916	8 750	7 916
Total Non-Current Assets		1 754 222	1 773 298	1 754 222	1 773 298
TOTAL ASSETS		1 871 865	1 891 823	1 871 865	1 891 823
Current Liabilities					
Trade and other payables	18	51 425	49 631	51 425	49 631
Interest-bearing loans and borrowings	19	5 628	10 562	5 628	10 562
Dividend paid/provided for	20	-	1 000	-	1 000
Provisions	21	18 254	12 467	4 998	770
Other Liabilities	26	47 530	-	47 530	-
Total Current Liabilities		122 837	73 660	109 581	61 963
Non-Current Liabilities					
Interest-bearing loans and borrowings	19	159 581	158 927	159 581	158 927
Provisions	21	4 290	3 580	4 130	3 460
Deferred income tax liability	16	249 672	265 408	249 672	265 408
Amount due to related entities	26	27 263	24 949	40 679	36 766
Total Non-Current Liabilities		440 806	452 864	454 062	464 561
TOTAL LIABILITIES		563 643	526 524	563 643	526 524
NET ASSETS		1 308 222	1 365 299	1 308 222	1 365 299
Equity					
Contributed Equity	22	421 706	421 706	421 706	421 706
Asset revaluation reserve	22	673 508	700 746	673 508	700 746
Retained profits	22	213 008	242 847	213 008	242 847
TOTAL EQUITY		1 308 222	1 365 299	1 308 222	1 365 299

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

Statement of Cash Flows

For the year ended 30 June 2009

	Notes	Economic Entity 2009 \$ '000	Economic Entity 2008 \$ '000	Statutory Corporation 2009 \$ '000	Statutory Corporation 2008 \$ '000
Cash flows from operating activities					
Cash receipts from customers		306 480	289 262	306 480	289 262
Cash paid to suppliers and employees		(287 460)	(254 528)	(287 460)	(254 528)
Interest received	6	1 086	1 165	1 086	1 165
Interest paid		(10 176)	(10 019)	(10 176)	(10 019)
Income taxes paid		1 223	(4 599)	1 223	(4 599)
Net Cash from (used in) operating Activities		11 153	21 281	11 153	21 281
Cash flows from investing activities					
Acquisition of property, plant and equipment		(8 230)	(12 638)	(8 230)	(12 638)
Proceeds from sale of property, plant & equipment		4 508	3 635	4 508	3 635
Net cash from (used in) investing activities		(3 722)	(9 003)	(3 722)	(9 003)
Cash flows from financing activities					
Proceeds from borrowings		654	38 467	654	38 467
Repayment of borrowings		(4 934)	(28 720)	(4 934)	(28 720)
Dividends paid	20	(1 000)	(16 000)	(1 000)	(16 000)
Net cash from (used in) financing activities		(5 280)	(6 253)	(5 280)	(6 253)
Net increase in cash and cash equivalents		2 151	6 025	2 151	6 025
Cash and cash equivalents at 1 July 2008		11 640	5 615	11 640	5 615
Cash and cash equivalents at 30 June 2009	10	13 791	11 640	13 791	11 640

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

Statement of Recognised Income and Expense

For the year ended 30 June, 2009

	Notes	Economic Entity 2009 \$ '000	Economic Entity 2008 \$ '000	Statutory Corporation 2009 \$ '000	Statutory Corporation 2008 \$ '000
Realised gain on disposal of other fixed assets		11 199	5 564	11 199	5 564
Defined benefit plan actuarial gains (losses)		(6 931)	(4 419)	-	-
Income tax on income and expense recognised directly in equity	16	11 714	1 703	11 714	1 703
Income and expense recognised direct in equity		15 982	2 848	22 913	7 267
Profit/(Loss) for the year		(44 271)	22 975	(51 202)	18 556
Total recognised income and expense for the year	22	(28 289)	25 823	(28 289)	25 823
Attributable to:					
Equity holders		(28 289)	25 823	(28 289)	25 823
Impact of prior period adjustment on retained earnings	22		(570 172)		(570 172)

The above recognised income and expense statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2009

1. Corporate Information

Forests NSW is the trading name of Forestry Commission of NSW.

In June 2004, Forests NSW was aligned with the Department of Primary Industries (DPI) but continues to operate as a self funded Public Trading Enterprise (PTE).

On 17 March 2006 the Government proclaimed the Public Sector Employment Legislation Amendment Act 2006. This Act made fundamental changes to the employment arrangements of many statutory corporations through amendments to the Public Sector Employment and Management Act 2002 (PSEMA) and other Acts. In particular, the status of employees of many statutory corporations has been changed. They are now employees of the Government of New South Wales in the service of the Crown. Employees of the Government were assigned to Divisions of the Government Service. Departments are now also known as Divisions of the Government Service, per Schedule 1 of the PSEMA.

From 17 March 2006 Forests NSW employees became the employees of either DPI or the new entity, Forestry Commission Division. As a PTE, Forests NSW continues to be responsible for making use of the employees and resources of both DPI and Forestry Commission Division at its own cost, and must meet all expenses, taxes, duties and Government dividends from revenues earned from the commercial business activities it undertakes.

This supply and continued use of resources and shared services from DPI and Forestry Commission Division is based on a signed Memorandum of Understanding.

Forestry Commission Division is a special purpose service entity pursuant to Schedule 3 of PSEMA and Forests NSW administers and has dominant control of its day to day operation.

Forests NSW is the parent reporting entity and its operations are consolidated with the activities of Forestry Commission Division NSW to form the economic reporting entity.

2. Summary of Significant Accounting Policies

(a) Statement of Compliance

This general purpose financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

The financial report of Forests NSW for the year ended 30 June 2009 has been authorised for issue by the Commissioner of Forests NSW, Richard Shelldrake, on 27 October 2009.

(b) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations, the Public Finance and Audit Act 1983, NSW Treasury Circulars, and the Public Finance and Audit (General) Regulation 2005.

Forests NSW is a for profit entity and its accounts are consolidated as part of the NSW Total State Sector Accounts.

The accounts have been prepared on an accrual basis utilising conventional historical cost bases except for certain forest, non-forest

assets and investment properties which, as indicated separately in the notes and financial statements, are at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

(c) Significant Accounting Judgements, Estimates and Assumptions

In the application of accounting standards, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstance, the results of which form the basis to make the judgements.

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.

(d) Basis of Consolidation

(i) Subsidiary

Subsidiary's are entities controlled by Forests NSW. Control exists when Forests NSW 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 subsidiary's are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiary's have been changed where necessary to align them with the policies adopted by Forests NSW.

(ii) Joint ventures

Forests NSW 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 Forests NSW providing the management expertise and financing the majority of other inputs. The second is where plantations are established in state forests with Forests NSW providing varying amounts of management and other inputs as set out in respective agreements. The agreements provide for the eventual harvest to be shared between the joint venturers in proportion to the discounted value of inputs calculated over the life of the ventures.

In valuing joint venture plantations the same basic method has been used as that in place for wholly owned forests (see Note 2 (h) (iii)) to recognise Forests NSW's share of the joint venture except that expenditure and revenue attributable to joint venture partners are excluded.

(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.

(e) Income Tax (National Tax Equivalents Regime)

As of 1 July 2001, Forests NSW was subject to the National Tax Equivalents Regime (NTER) which requires PTE's to be subject to the same taxes, including income tax and goods and services tax, as private sector organisations. Prior to this date Forests NSW was subject to the state based Tax Equivalents Regime.

Notes to the Financial Statements

For the year ended 30 June 2009

Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable profit or tax losses for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Tax for the current year/prior year is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences.

Included in the net deferred tax liability is an amount which represents future deductibility of biological assets amounting to \$796 693 000. (Tax effect @30% is \$239 007 900. Refer to Note 16)

The above amount was ascertained during the transitional period when Forests NSW moved from a NSW State Government Agency to a TER (Tax Equivalent Regime) entity.

Forests NSW has never claimed a tax deduction for this plantation establishment cost against derived post TER and NTER (National Tax Equivalent Regime) assessable income.

The deductibility of this amount is uncertain and is subject to Forests NSW obtaining approval from NSW Treasury to bring these plantation costs into the TER and the NTER working group allowing these costs to be grand fathered into the NTER.

The correctness of the net deferred tax liability recognised for the biological assets is therefore subject to:

- i) confirmation that these deductions are available under TER and NTER
- ii) accuracy of the future deductible amount of \$796 963 000

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and Forests NSW intends to settle its current tax assets and liabilities on a net basis.

Deferred tax asset items relating to tax losses will be carried forward as an asset as this benefit has largely arisen from the deductibility of plantation establishment activity. Whilst recognising the significant year involved (to maturity of these plantation assets), as these activities constitute Forests NSW core business, there is high likelihood the benefit will be fully realised in future years.

Current and deferred tax for the year

Movements in current and deferred tax are recognised as an expense or income in the income statement, except when they relate to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

Other Taxes (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- the amount of GST incurred by Forests NSW as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- receivables and payables are stated with the amount of GST included.

(f) Trade and Other Receivables

Receivables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using effective interest method, less an allowance for any impairment of receivables.

Trade and other receivables are constantly reviewed and impairment provided when the debt is deemed uncollectible. Bad debts are written off as incurred.

Credit sales are generally 7, 14 or 30 days settlement.

(g) Inventories and Work in Progress

Inventories and Work in Progress (WIP) are stated at the lower of cost or net realisable value. In the case of materials and parts, cost comprises purchase price and incidental expenses. The valuation of WIP and finished goods is based on direct costs plus an appropriate proportion of production overheads.

(h) Property, Plant and Equipment

(i) Recognition and Measurement

Items of Property, Plant and Equipment are measured at fair value less accumulated depreciation and accumulated impairment losses.

Fair value equates to cost adjusted for any revaluation adjustments. Cost includes expenditure that is directly attributable to the acquisition of the asset. The costs of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and any costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the of that equipment. Borrowing costs related to the acquisition, construction or production of qualifying assets are recognised in profit or loss as incurred.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) 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

Notes to the Financial Statements

For the year ended 30 June 2009

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 regular servicing and maintenance of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation on Property, Plant and Equipment is recognised in profit or loss at rates which provide for the original cost or valuation to be written down over the expected useful life of the asset. Leased assets are depreciated over the shorter of the lease term and the useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. Depreciation commences when assets are ready for use even if standby assets.

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

Type of asset	Depreciation method	Useful life
Property (other than land)	Straight line	10-50 years
Plant and equipment	Straight line	3-50 years
Roads and bridges		
- earthworks	Straight line	100 years
- paving (gravel)	Straight line	30 years
- paving (bitumen)	Straight line	50 years

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

(i) Non-Current Asset Valuations

Fixed Assets are reviewed and assessed periodically at each reporting cycle to assess fair value and impairment.

(i) Property, Plant & Equipment

Land

All land, being Crown Land and Forests NSW owned land, under forests and plantations and under administrative buildings, offices, mechanical workshops and other non-forest installations were revalued by Valuation Services which is a business unit of Department of Lands on 30 June 2007. Fair value is based on current market buying price representing value in use. The Valuation Services supported this basis of valuation by recognising that Forests NSW' land was held for continued use and by performing the valuation in accordance with NSW Treasury Policy Paper TPP07-01: Valuation of Non-Current Assets at Fair Value.

The valuation recognised areas that were currently utilised for timber producing purposes and other areas such as reserves and exclusion zones where no commercial activities are carried out by Forests NSW.

Independent valuations will be performed at least every five years for land, or earlier if significant market movements are detected, with purchases in the intervening periods taken to account at cost.

Roads & Bridges

Major Roads and Bridges have been independently revalued by Valuation Services (formerly State Valuation Office) at 30 June 2006 on the basis of written down replacement cost, which approximates fair value.

Independent valuations will be performed at least every five years or earlier if significant market movements are detected, with purchases in the intervening periods taken to account at cost.

Costs of building or significantly upgrading primary access roads (Class A) and secondary access roads (Class B) are capitalised as incurred. Maintenance costs on these higher classification roads are expensed as incurred. All other costs of maintaining and developing the rest of the roading infrastructure are expensed as incurred.

Heavy Plant and Equipment, Motor Vehicles and Mobile Plant

Heavy Plant and Equipment, Motor Vehicles and Mobile Plant were revalued at 30 June 2009 by management. The carrying value as at 30 June 2009 approximates to the fair value.

(ii) Biological Assets

Biological assets are measured at fair value less estimated point-of-sale costs, with any change therein recognised in profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets.

Forests NSW manage available forest areas on a sustainable yield basis. Sustainable yield means that the volume harvested will approximate, over long-term harvest cycles, annual forest growth of the harvestable forest areas. As a result, all costs incurred in managing, maintaining and developing the timber resources are expensed as incurred on the basis that all relevant costs are incurred in maintaining a constant forest resource.

Plantation Timber Valuation

The value of the softwood and hardwood plantations has been assessed using a discounted cash flow model which estimates the present value of the net cash flows arising from the liquidation of the current crop of trees within the context of sustained yield management.

The flows of logs available from the regional plantation forest estates are estimated using an industry-standard forest estate modelling system which simulates growth, harvesting and replanting of forests over an extended time period. Timber yield estimates are made by the application of growth and yield models to forest inventory measurements and the aggregate wood flow from the regional forests is constrained by the requirement to fill contracts to supply logs to existing customers.

The total standing volume of trees expected at the dates of harvest is converted to an assortment of log products by the application of models which simulate the manufacture of saleable log products. The estimates of future log product yields are tempered by past experience of actual yields in similar crops.

Average stumpage prices for the log products are estimated from recent actual sales of these products and are applied to the forecast log product volumes to estimate future gross revenues from the sale of logs. Constant real prices are assumed. The costs of accessing the crop in order to harvest it, including the costs of new roading infrastructure and the costs of planning and managing the harvest, are deducted from the gross revenue to estimate the net harvest revenue from the current crop.

Ancillary income earned from activities such as the leasing of land for grazing and other occupancy rights is added to the net harvest revenue.

The direct and indirect costs required to bring the crop to maturity and protect it from injurious agencies, are deducted to estimate the net cash flow from the trees.

Notes to the Financial Statements

For the year ended 30 June 2009

The annual net cash flows are converted to a present value by the application of Forests NSW' weighted average cost of capital (10.02% on a real, pre-tax basis) and summed to estimate the present value of the trees. Only those cash flows associated with the standing crop at valuation date are included in the present value estimate.

Native Forest Timber

The value of the Native Forest timber resource is estimated using a discounted cash flow model which assumes that the forests are managed for the production of logs in perpetuity.

Forests NSW manages the native forest using environmentally and economically sustainable yield principles. A fundamental objective is to maintain both forests and industry in perpetuity by ensuring that the volume harvested approximates the annual forest growth on the harvestable forest area over successive harvest cycles.

The gross area of the native forests from which the log supply is drawn is reduced by the extent by which logging is excluded in certain areas. In the north and south coast regions an additional "net harvest modifier" is then applied to reflect the impact of other logging exclusions prescribed by licences that are not area specific. A further "strike rate reduction factor" is used to reduce the harvest area to account for the effect of excluding areas with significant floral and faunal values.

The cash flow analysis is underpinned by projections of future wood volume flows over a 100 year period for each of the major native forest estates. The wood flows are determined using the FRAMES (Forest Resource Area Management Evaluation System) toolkit initialised with most recent resource inventory information. The inventory is updated on an annual basis to replace plots that have been disturbed due to harvesting or plots that were established in excess of 10 years from the previous measurement date.

After adjusting the volume projections for the area modifiers, "calibration factors" are then applied to the volumes of log products available from each regional resource. These calibration factors reflect the differences between the visual features recorded for standing trees (as recorded in the inventory) and those found when trees are felled and logs are manufactured, when internal defects become visible. This enables the impact of internal defects in the timber to be incorporated into the estimates of future log product volume availability.

The volume flows are converted to cash flows by the application of regional stumpage prices achieved in recent sales of logs from these forests. Constant real prices are assumed in perpetuity. Ancillary income earned from activities such as leasing of land for grazing and other occupancy rights is added to the total stumpage income from the sale of logs.

The cost of securing the stumpage income flow is estimated from current operating costs, unadjusted for any increase in operational efficiency which might occur in the future.

The net cash flows are discounted using Forests NSW' weighted average cost of capital (10.02% on a real, pre-tax basis) and summed to estimate present value of the perpetual cash flow.

(iii) Impairment of other tangible assets.

At each reporting date, Forests NSW reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset

does not generate cash flows that are independent from other assets, Forests NSW estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset maybe impaired.

Where an indicator of impairment exists, the asset will be written down to the recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use.

(j) Carbon Credits

Forests NSW participated in an inaugural sale of New South Wales Greenhouse Abatement Credits in 2004-2005. For financial year ending 30 June 2009, unsold carbon credit certificates are accounted for as inventory at lower of cost or net realisable value.

(k) Maintenance and Repairs

Forests NSW policy is to maintain property, plant and equipment in good order and condition requiring ongoing maintenance and repair. The costs of maintenance and repairs are generally charged as expenses when incurred, except where they relate to the replacement of a significant component of an asset or a major upgrade of an asset, in which cases the costs are capitalised and depreciated. Other routine operating maintenance, repair and minor renewal costs are also expensed as incurred.

(l) Derecognition of Assets

Assets are derecognised upon disposal where there is no future economic benefits expected to arise from the continued use.

Any gain or loss from derecognition of assets upon disposal is included in the income statement in the year the item is derecognised.

(m) Other Financial Assets

Investments are initially recognised at fair values plus, in the case of investments not at fair values through profit and loss, transaction costs. Forests NSW determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each month reporting date.

Forests NSW subsequently measures investments classified as "held for trading" or designated "at fair value through profit or loss" at fair value. Financial assets are classified as "held for trading" if they are acquired for the purpose of selling in the near term.

(n) Interest-bearing Loans and Borrowings

Interest-bearing loans and borrowings are measured at amortised cost, using the effective interest rate method. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(o) Guarantee Fee

Forests NSW is required to pay an annual Government Guarantee Fee to the NSW Treasury relative to the amount of loans at balance date based upon the differential between an independently assessed, stand alone, credit rating for Forests NSW and the NSW Government's AAA rating. The actual fee payable is calculated using factors provided by the NSW Treasury each year. Forests NSW has been assigned a private stand alone qualified rating indication of 'BBB-' (BBB minus) by Fitch ratings. This is not necessarily the unqualified corporate credit rating that would otherwise apply to Forests NSW.

Notes to the Financial Statements

For the year ended 30 June 2009

(p) Financial Instruments

Recognised Financial Instruments	Accounting Policies	Terms and Conditions
i) Financial Assets		
Cash	Short-term deposits are stated at net realisable value. Interest is recognised in the income statement when earned.	Cash is deposited at call
Receivables	Trade receivables are carried at nominal amounts due less any provision for doubtful debts. A provision is recognised when the collection of the amount is no longer probable.	Credit sales are generally on 7, 14 or 30 day settlement terms.
Other Financial Assets	Investments are stated at net realisable value. Interest and movements in market value are recognised in the income statement when earned.	All Investments during the year were at call.
ii) Financial Liabilities		
Accounts Payable and Other Creditors	Liabilities are recognised for amounts to be paid in the future for goods and services received.	Trade liabilities are settled within 30 days of the month in which they are incurred in line with NSW Government policy.
Interest-Bearing Loans and Borrowings	Liabilities for loans are recognised at the time of entering into the arrangement.	A liquidity risk policy has been adopted by which no more than 25% of the total debt matures in any one year. All borrowings are sourced from the NSW Treasury Corporation.

(q) Cash and Cash Equivalents

For purposes of the cash flow statement, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(r) Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets (where valid).

Finance costs include:

- (i) interest on bank overdrafts and short-term and long-term borrowings
- (ii) amortisation of discounts or premiums relating to borrowings
- (iii) government guarantee fees

(s) Provisions

Provisions are recognised when past events result in a present obligation, that will involve a future sacrifice of economic resources and the amount of provision can be measured reliably.

The amount of provisions recognised at reporting date are derived after estimating the considerations required to settle the obligation, taking into account both the associated risks and uncertainties.

In circumstances where there are recoveries of settlement obligations from third parties, the receivable amount will be recognised as an asset if there is absolute certainty of recovery and recoverable monies can be reliably measured.

Provisions that are measured by expected cash outflows on future settlement dates to settle the present obligation will be discounted by an appropriate rate of discount so as to obtain the present value of the expected cash outflows.

The discount rate that is used to compute the present value of cash outflows reflects the specific risks pertaining to the obligation and the current market assessment of the present value of money. Any increase in the provision due to discounting is recognised as a finance cost.

(t) Leased Assets

Leases are classified as financial leases if at the end of the lease term, the risk and ownership of the leased assets substantially accrued to the lessee.

Financial leases are capitalised at the inception of the lease based on the lower of fair value of the leased assets or the present value of the minimum lease payments.

All other leases are classified as operating leases. Operating lease payments are recognised as expenses in the income statement on a straight-line basis over the lease term.

(u) Dividend

The dividend is calculated according with TPP 02-3 Financial Distribution Policy for Government Businesses. The dividend payable of \$0 (2008: \$1,000,000) is calculated based on profit/loss adjusted for certain non-cash items.

(v) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

(i) Sale of Timber and Related Activities

Revenue from the sale of timber and related activities is recognised (net of returns, discounts and allowances) when the significant risks and rewards of ownership transfer to the buyer.

(ii) Forest management services

Revenue from forest management services is typically received in advance, with the amount received representing the net present value and as agreed within individual contractual arrangements. Revenue from forest management services is then recognised over the period of the contractual term unless it is refunded.

(iii) Rental Income

Revenue from investment properties is recognised on a straight line basis over the period of the lease.

Notes to the Financial Statements

For the year ended 30 June 2009

(w) Grants

Government grants are recognised as income over the periods necessary to match them with related costs which they are intended to compensate, on a systematic basis.

(x) Employee Benefits

Salaries & Wages

Liability for salaries & wages is recognised in Forestry Commission Division and measured in respect of employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled.

Workers Compensation Insurance

Forests NSW is a licensed self insurer under the provisions of the Workers Compensation Act 1987. In accordance with regulations that govern the operations of Workers Compensation, an independent actuary has determined the value of the outstanding claims liability as at 30 June 2009. In addition separate insurance cover is held with private insurance companies for excess total incident and total claims costs.

From 17 March 2006 onwards, the NSW Government proclaimed the PSELAA (Public Sector Employment Legislation Amendment Act 2006). As of that date, all related employee costs and entitlements are recognised as Personnel Services from the supply of labour related services from both DPI and Forestry Commission Division.

Employee related liabilities are transferred from Forests NSW's statutory accounts to New South Wales Department of Primary Industries (DPI) and Forestry Commission Division in accordance with the established memorandum of understanding. In the Forests NSW's (Statutory Balance Sheet), they are disclosed as amounts due to related entities.

Upon consolidation of the year end financial statements, employee related liabilities from the Forestry Commission Division are shown as current and non current provisions.

Annual leave

Liability for Annual Leave is recognised in Forestry Commission Division and measured in respect of employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled.

Long Service Leave

A liability for Long Service Leave is recognised in Forestry Commission Division and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expect future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on notional government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Long Service Leave liability was assessed by actuaries at 30 June 2009.

Sick Leave

Sick leave is non-vesting and is expensed as incurred. In line with past results, sick leave taken in future periods is expected to be well below entitlements in those periods so no provision is necessary at 30 June.

Superannuation

Calculation of the total liability for superannuation is based on actuarial advice provided by Pillar Administration.

The superannuation liability is recognised in Forestry Commission Division. It is the difference between the gross liabilities and the stake

in the funds at reporting date in respect of Forestry Commission Division employees (refer Note 17).

(y) Investment Assets

The Economic Entity does not actively trade or engage in the investment property market. It leases offices and other buildings sites for rental income that are surplus to its requirements.

Investment property is measured initially at its cost, including transaction costs and subsequently restated at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

(z) Adoption of New and Revised Accounting Standards

In the current year, the economic entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period.

At the date of authorisation of the financial report, the following Standards and Interpretations were on issue but not yet effective:

- | | |
|--|--|
| <ul style="list-style-type: none"> • AASB 8 'Operating Segments' and consequential amendments to other accounting standards resulting from its issue. | <ul style="list-style-type: none"> • Effective for annual reporting periods beginning on or after 1 January 2009. |
|--|--|

Early adoption of new or revised Accounting Standards/Interpretation.

The following Australian Accounting Standards/Interpretations have been mandated by NSW Treasury not to adopt early in this financial report:

- AASB 3 (March 2008), AASB 127 and AASB 2008-3 regarding business combinations;
- AASB 8 and AASB 2007-3 regarding operating segments;
- AASB 101 (Sept 2007) and AASB 2007-8 regarding presentation of financial statements;
- AASB 123 (June 2007) and AASB 2007-6 regarding borrowing costs;
- AASB 1004 (Dec 2007) regarding contributions;
- AASB 1049 (Oct 2007) regarding the whole of government and general government sector financial reporting;
- AASB 1050 (Dec 2007) regarding administered items;
- AASB 1051 (Dec 2007) regarding land under roads;
- AASB 1052 (Dec 2007) regarding disaggregated disclosures;
- AASB 2007-9 regarding amendments arising from the review of AASs 27, 29 and 31;
- AASB 2008-1 regarding share based payments;
- AASB 2008-2 regarding puttable financial instruments;
- Interpretation 4 (Feb 2007) regarding determining whether an arrangement contains a lease;
- Interpretation 12 and AASB 2007-2 regarding service concession arrangements;
- Interpretation 13 on customer loyalty programmes;
- Interpretation 14 regarding the limit on a defined benefit asset;
- Interpretation 129 (Feb 2007) regarding service concession disclosures;
- Interpretation 1038 (Dec 2007) regarding contributions by owners.

Notes to the Financial Statements

For the year ended 30 June 2009

3. Changes in Accounting Policy and Correction of Errors

(i) Changes in accounting policies – Biological assets valuation

The measurement basis Forests NSW uses for biological assets is fair value. For native forest crops and softwood plantations, a net market value approach was used to determine their fair values. The net market value approach is based upon standing volumes at current prices less the direct costs of disposing the timber. For hardwood plantations, the fair value was determined to be the historical cost.

With effect from 1 July 2006, the fair value of native forest crops, softwood plantations and hardwood plantations has been determined using a discounted cash flow approach. The principal assumptions associated with this method can be found in Note 2 (h)(iii). This method of valuation was chosen as it more likely reflects usual market practice and provides a more accurate view of the value of the assets in terms of future revenue generation. The financial impact of the change in accounting policy at parent and consolidated levels is set out below in note 3 (vi).

(ii) Changes in accounting policies – Superannuation actuarial gains and losses

According with NSW Treasury policy, Forests NSW has changed its policy on the recognition of superannuation actuarial gains and losses. Such actuarial gains and losses are now recognised outside of profit or loss in the 'statement of recognised income and expense'. Previously, actuarial gains and losses were recognised through profit or loss. Both options are permissible under AASB 119 Employee Benefits.

The change in policy has been adopted on the basis that recognition outside profit or loss provides reliable and more relevant information as it better reflects the nature of actuarial gains and losses. This is because actuarial gains/losses are re-measurements, based on assumptions that do not necessarily reflect the ultimate cost of providing superannuation.

Recognition outside profit or loss also harmonises better with the Government Finance Statistics / GAAP comprehensive income presentation for the whole of government and general government sector, required under AASB 1049 Whole of Government and General Government Sector Financial Reporting. A comprehensive income presentation will also be available at the entity level from 2009-10 under AASB 101 *Presentation of Financial Statements*. The financial impact of the change in accounting policy at parent and consolidated levels is set out below in note 3 (vi).

(iii) Changes in accounting policies – Capitalisation of planted forest operational costs

Forests NSW previously capitalised direct costs of plantation establishment and development and indirect costs attributable to the plantation establishment and management, including, fire prevention and suppression, road maintenance, forest management and planning, research, and administration and management.

Forests NSW management have assessed that Forests NSW manage available forest areas on a sustainable yield basis. Sustainable yield means that the volume harvested will approximate, over long-term harvest cycles, annual forest growth of the harvestable forest areas. As a result, it has been determined, that with effect from 1 July 2007, all costs incurred

in managing, maintaining and developing the timber resources are to be expensed as incurred on the basis that all relevant costs are incurred in maintaining a constant forest resource. The financial impact of the change in accounting policy at parent and consolidated levels is set out below in note 3 (vi).

(iv) Changes in accounting policies – Capitalisation of borrowing costs

Forests NSW previously capitalised interest relating to loans used for the purposes of developing biological assets. Forests NSW management have assessed that Forests NSW manage available forest areas on a sustainable yield basis. Sustainable yield means that the volume harvested will approximate, over long-term harvest cycles, annual forest growth of the harvestable forest areas. As a result, it has been determined, that with effect from 1 July 2007, all borrowing costs incurred in relation to the development of biological assets are to be expensed as incurred on the basis that the costs are incurred in maintaining a constant forest resource. The financial impact of the change in accounting policy at parent and consolidated levels is set out below in note 3 (vi).

(v) Correction of error – Roading expenses

Forests NSW contribute funds to local councils throughout the state for the purposes of building and maintaining the road networks which Forests NSW use extensively to conduct its operations.

In prior reporting periods, this expenditure was incorrectly capitalised as Forests NSW does not actually own the assets to which the expenditure relates. The capitalisation of this expenditure has been reversed and subsequently expensed in the year in which the expenditure occurred. The financial impact of the correction of error at parent and consolidated levels is set out below in note 3 (vi).

Notes to the Financial Statements

For the year ended 30 June 2009

(vi) Restatement of accounts

	Notes	Economic Entity			Statutory Corporation		
		Original 2008 \$'000	Movement \$'000	Restated 2008 \$'000	Original 2008 \$'000	Movement \$'000	Restated 2008 \$'000
Income Statement (extract)							
Expenses from Operations	3 (iii, v)	(160 901)	(25 001)	(185 902)	(160 901)	(25 001)	(185 902)
Employee and Related	3 (ii)	(29 389)	4 419	(24 970)	-	-	-
Financing Costs	3 (iv)	(1 200)	(10 019)	(11 219)	(1 200)	(10 019)	(11 219)
Change in fair value less estimated point of sale costs	3 (i)	79 959	(53 195)	26 764	79 959	(53 195)	26 764
Profit/(loss) before income tax		117 651	(83 796)	33 855	117 651	(88 215)	29 436
Income Tax (Expense) / Credit	3 (i, iii, v)	(37 279)	26 399	(10 880)	(37 279)	26 399	(10 880)
NET PROFIT/(LOSS) FOR THE FINANCIAL YEAR		80 372	(57 397)	22 975	80 372	(61 816)	18 556
Balance Sheet (extract)							
Current Assets							
Inventories		8 389	(228)	8 161	8 389	(228)	8 161
Biological Assets	3 (i)	-	43 500	43 500	-	43 500	43 500
Total Current Assets		75 253	43 272	118 525	75 253	43 272	118 525
Non-Current Assets							
Property, Plant and Equipment	3 (v)	1 196 810	(12 928)	1 183 882	1 196 810	(12 928)	1 183 882
Biological Assets	3 (i)	1 515 310	(933 810)	581 500	1 515 310	(933 810)	581 500
Total Non-Current Assets		2 720 036	(946 738)	1 773 298	2 720 036	(946 738)	1 773 298
TOTAL ASSETS		2 795 289	(903 466)	1 891 823	2 795 289	(903 466)	1 891 823
Non-Current Liabilities							
Deferred Income Tax Liability	3 (i, iii, v)	536 532	(271 124)	265 408	536 532	(271 124)	265 408
Total Non-Current Liabilities		723 988	(271 124)	452 864	723 988	(271 124)	452 864
TOTAL LIABILITIES		797 648	(271 124)	526 524	797 648	(271 124)	526 524
NET ASSETS		1 997 641	(632 342)	1 365 299	1 997 641	(632 342)	1 365 299
Equity							
Asset Revaluation Reserve	3 (v)	701 252	(506)	700 746	701 252	(506)	700 746
Retained Profits	3 (i, iii, iv, v)	874 683	(631 836)	242 847	874 683	(631 836)	242 847
TOTAL EQUITY		1 997 641	(632 342)	1 365 299	1 997 641	(632 342)	1 365 299

4. Financial risk management

Forests NSW have exposure to the following risks from their use of financial instruments:

- Credit Risk;
- Liquidity Risk;
- Market Risk.

This note presents information about Forests NSW's exposure to each of the above risks, their objectives, policies and processes for

measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this financial report.

The Commissioner for the Forestry Commission of NSW has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by Forests NSW, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Compliance with policies is reviewed by the internal auditors on a continuous basis.

Notes to the Financial Statements

For the year ended 30 June 2009

Credit Risk

Credit risk arises when there is the possibility of Forests NSW debtors defaulting on their contractual obligations, resulting in a financial loss to the agency. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of Forests NSW, including cash, receivables and authority deposits. Some collateral is held by the agency. Forests NSW has not granted any financial guarantees.

Credit risk associated with the agency's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp are guaranteed by the State and are AAA as rated by Standard and Poors.

The credit risk on the financial assets of Forests NSW has been recognised in the Balance Sheet at the carrying amount, net of any allowance for doubtful debts.

Forests NSW has a Credit Policy, which aims to mitigate the credit risk exposure to our sales customers. Customers are assessed for creditworthiness before payment and delivery terms are offered. Forests NSW review includes external ratings, when available, company searches, and trade references. Purchase limits are established and customers are required to lodge suitable security for the estimated maximum credit exposure to its sales. The policy requires stringent credit assessment of customers before the granting of any unsecured credit.

Forests NSW has established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established in respect of losses that have been incurred but not yet identified. The collective loss allowance is based on historical data of payment statistics.

Liquidity Risk

Liquidity risk is the risk that Forests NSW will be unable to meet its payment obligations when they fall due. Forests NSW continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and other advances.

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. Forests NSW's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Forests NSW's exposures to market risk are primarily through interest rate risk on the agency borrowings and other price risks associated with the movement in the unit price of the Hour Glass Investment facilities. Forests NSW has no exposure to foreign currency risk and does not enter into commodity contracts.

Interest rate risk

Exposure to interest rate risk arises primarily through the agency's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with NSW TCorp. Forests NSW does not account for any fixed rate financial instruments at fair value through profit or loss or as available for sale. Therefore for these financial instruments a change in interest rates would not affect profit or loss or equity. A reasonably possible change of $\pm 1\%$ is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The agency exposure to interest rate risk is set out below.

Forests NSW's exposure to interest rates is set out in notes 10 and 19. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Forests NSW intends to hold fixed interest assets and liabilities to maturity. Interest rate exposure is limited to interest rates available at the time of entering into arrangements with NSW Treasury Corporation. The assets or liabilities are held until maturity.

Other price risk – T Corp Hour Glass Investment facilities

Exposure to 'other price risk' primarily arises through the investment in the TCorp Hour Glass Investment facilities, which are held for strategic rather than trading purposes. Forests NSW has no direct equity investments.

Forests NSW only holds units in the Hour Glass Investment Cash Facility trust. This trust only invests in Cash & money market instruments that have an investment horizon up to 1.5 years (June 2008 – Up to 2 years).

The unit price of each facility is equal to the total fair value of net assets held by the facility divided by the total number of units on issue for that facility. Unit prices are calculated and published daily. NSW TCorp as trustee for each of the above facilities is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. However, TCorp, acts as manager for part of the Cash Facility. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the Hour Glass facilities limits Forests NSW exposure to risk, as it allows diversification across a pool of funds, with different investment horizons and a mix of investments.

NSW TCorp provides sensitivity analysis information for each of the facilities, using historically based volatility information. The TCorp Hour Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity).

Notes to the Financial Statements

For the year ended 30 June 2009

5. Segment Reporting

	2009					2008				
	Hardwood Plantations \$ '000	Softwood Plantations \$ '000	Native Forests \$ '000	Other \$ '000	Total \$ '000	Hardwood Plantations \$ '000	Softwood Plantations \$ '000	Native Forests \$ '000	Other \$ '000	Total \$ '000
Revenue										
External Segment Revenue	6 424	164 725	91 744	-	262 893	5 984	160 592	86 265	-	252 841
Unallocated Revenue	-	-	-	23 366	23 366	-	-	-	40 954	40 954
Total Revenue	6 424	164 725	91 744	23 366	286 259	5 984	160 592	86 265	40 954	293 795
Expenses										
Harvesting and Haulage Costs	239	71 913	51 052	-	123 204	200	65 435	47 402	-	113 037
Depreciation	2	2 846	1 311	-	4 159	4	2 900	1 327	-	4 231
Personnel Services	1 685	12 466	21 661	-	35 812	914	8 464	19 849	-	29 227
Change in fair value of biological assets	-	(45 020)	-	-	(45 020)	-	(26 764)	-	-	(26 764)
Impairment of non-current assets	-	-	-	17 942	17 942	-	-	-	-	-
	1 926	42 205	74 024	17 942	136 097	1 118	50 035	68 578	-	119 731
Segment Result	4 498	122 520	17 720	5 424	150 162	4 866	110 557	17 687	40 954	174 064
Unallocated expenses	-	-	-	196 835	196 835	-	-	-	140 209	140 209
Net Profit/(loss) before income tax	4 498	122 520	17 720	(191 411)	(46 673)	4 866	110 557	17 687	(99 255)	33 855
Income Tax Expense/(credit)	-	-	-	(2 402)	(2 402)	-	-	-	10 880	10 880
Net Profit/(loss) after income tax	4 498	122 520	17 720	(189 009)	(44 271)	4 866	110 557	17 687	(110 135)	22 975
Assets										
Segment Assets	63 699	1 160 722	537 657	-	1 762 078	64 378	1 173 097	543 389	-	1 780 864
Unallocated Assets	-	-	-	109 787	109 787	-	-	-	110 959	110 959
Total Assets	63 699	1 160 722	537 657	109 787	1 871 865	64 378	1 173 097	543 389	110 959	1 891 823
Liabilities										
Segment Liabilities	45	17 387	4 902	-	22 334	42	16 242	4 579	-	20 863
Unallocated Liabilities	-	-	-	541 309	541 309	-	-	-	505 661	505 661
Total Liabilities	45	17 387	4 902	541 309	563 643	42	16 242	4 579	505 661	526 524

Notes to the Financial Statements

For the year ended 30 June 2009

6. Revenue

	Economic Entity 2009 \$ '000	Economic Entity 2008 \$ '000	Statutory Corporation 2009 \$ '000	Statutory Corporation 2008 \$ '000
Revenue				
a) Forest Sales Revenue				
Royalties from sale of timber and related products	138 290	138 837	138 290	138 837
Contract Harvest and Haulage	124 603	114 011	124 603	114 011
Total Forest Sales Revenue	262 893	252 848	262 893	252 848
b) Other Revenue				
Other Services Rendered	23 250	24 024	23 250	24 024
Rental Income from Investment Properties	120	88	120	88
Other rental	2 188	2 857	2 188	2 857
Gain/(Loss) on disposal of Non-Current Assets	(17 087)	(3 635)	(17 087)	(3 635)
Interest Received	1 086	1 165	1 086	1 165
Total Other Revenue	9 557	24 499	9 557	24 499
c) Grants revenue				
Community service obligations	9 557	9 557	9 557	9 557
Other state government grants	4 252	6 891	4 252	6 891
Total Grants Revenue	13 809	16 448	13 809	16 448
Total Revenue	286 259	293 795	286 259	293 795

Community Services and Government Grants

Forests NSW Community Service and Government Grants totalled \$13 809 000 (2008: \$16 448 000). Grants included capital and revenue components, which are detailed in the following notes:

(i) Community Service Obligations

The State Government contributed \$9 557 000 (2008: \$9 557 000) towards the cost of providing Community Services. This contribution was included in the accounts as revenue. In 2008-09, these services, which include provision of recreation facilities, education and advisory services, government liaison and regulatory services, community fire protection and research cost Forests NSW \$8 572 000 (2008: \$9 849 000). These costs are included in operating expenditure.

(ii) Other Government Grants

The State Government also paid Forests NSW \$4 252 000 (2008: \$6 891 000) for the performance of specific services including tasks associated with the Interim Assessment Process and related Comprehensive Resource Assessments.

Notes to the Financial Statements

For the year ended 30 June 2009

7. Expenses from Operations

	Economic Entity 2009 \$ '000	Economic Entity 2008 \$ '000	Statutory Corporation 2009 \$ '000	Statutory Corporation 2008 \$ '000
Operating Expenses				
Contract harvest and haulage	123 203	113 038	123 203	113 038
Contractors	20 084	15 357	20 084	15 357
Fees	9 976	9 108	9 976	9 108
Materials	20 019	19 281	20 019	19 281
Occupancy costs	1 961	2 094	1 961	2 094
Other	10 356	764	10 356	764
Plantation establishment costs	13 610	22 266	13 610	22 266
Travel and accommodation	2 313	2 493	2 313	2 493
Telephone and communication costs	1 496	1 501	1 496	1 501
Total Operating Expenses	203 018	185 902	203 018	185 902

8. Financing costs

	Economic Entity 2009 \$ '000	Economic Entity 2008 \$ '000	Statutory Corporation 2009 \$ '000	Statutory Corporation 2008 \$ '000
Interest Expense	(10 311)	(10 019)	(10 311)	(10 019)
Government Guarantee Fee	(1 855)	(1 200)	(1 855)	(1 200)
Financing Costs	(12 166)	(11 219)	(12 166)	(11 219)

9. Income Tax Expense

	Economic Entity 2009 \$ '000	Economic Entity 2008 \$ '000	Statutory Corporation 2009 \$ '000	Statutory Corporation 2008 \$ '000
Current Tax Expense / (Credit)				
Current Period	1 619	1 492	1 619	1 492
Deferred Tax Expense / (Credit)				
Origination and reversal of temporary differences	(4 021)	9 388	(4 021)	9 388
Total Income Tax Expense / (Credit)	(2 402)	10 880	(2 402)	10 880
Numerical reconciliation between tax expense and pre-tax accounting profit				
Pre-Tax Accounting Profit / (Loss)	(46 673)	33 855	(53 604)	29 436
Income tax using the statutory rate of 30%	(14 002)	35 295	(14 002)	35 295
Excess of accounting depreciation over tax depreciation	538	204	538	204
Non-deductible expenses	17 227	1 519	17 227	1 519
Loss on discontinued assets	7 540	1 411	7 540	1 411
Net movements in provisions	2 957	(576)	2 957	(576)
Unearned revenue	859	(2 688)	859	(2 688)
Change in net market value of biological assets	(13 500)	(23 987)	(13 500)	(23 987)
Capital expenditures on plantation establishment	-	(6 680)	-	(6 680)
Capitalised finance costs	-	(3 006)	-	(3 006)
Change in unrecognised temporary differences	(4 021)	9 388	(4 021)	9 388
Total Income Tax Expense / (Credit)	(2 402)	10 880	(2 402)	10 880

Notes to the Financial Statements

For the year ended 30 June 2009

10. Cash and Cash Equivalents

	Economic Entity 2009 \$ '000	Economic Entity 2008 \$ '000	Statutory Corporation 2009 \$ '000	Statutory Corporation 2008 \$ '000
a) Reconciliation of Cash and Cash Equivalents				
Cash at bank	11 026	10 151	11 026	10 151
Cash on hand	38	46	38	46
NSW Treasury Corporation Hour Glass Cash Facility	31	43	31	43
Restricted security deposits	749	749	749	749
Investment	1 947	651	1 947	651
Balances as per cash flow statement	13 791	11 640	13 791	11 640

Investments at Call

The NSW Treasury Corporation Hour Glass cash facility has been subject to floating interest rates between 5.22% and 6.82% (2008: 5.83% and 6.87%)

b) Reconciliation of net profit after tax to net cash flows from operations				
Net Profit/(loss) after income tax	(44 271)	22 975	(51 202)	18 556
Add/(less) non cash items:				
Depreciation	10 128	10 477	10 128	10 477
(Profit)/loss on disposal of non-current assets	(4 508)	3 635	(4 508)	3 635
(Increment)/Decrement in fair value of biological assets	(45 020)	(26 764)	(45 020)	(26 764)
Income tax expense	(15 736)	10 880	(15 736)	10 880
Other non-cash items	107 337	(944)	121 315	3 475
	7 930	20 259	14 977	20 259
Change in operating assets and liabilities:				
Movement in receivables	(56 088)	(7 120)	(56 088)	(7 120)
Movement in inventories	(2 404)	(218)	(2 404)	(218)
Movement in creditors	1 667	5 704	1 667	5 704
Movement in provisions	58 825	7 255	51 778	7 255
Movement in income tax	1 223	(4 599)	1 223	(4 599)
	3 223	1 022	(3 824)	1 022
Net cash provided by operating activities	11 153	21 281	11 153	21 281

Notes to the Financial Statements

For the year ended 30 June 2009

11. Trade and Other Receivables

	Economic Entity 2009 \$ '000	Economic Entity 2008 \$ '000	Statutory Corporation 2009 \$ '000	Statutory Corporation 2008 \$ '000
Trade Receivables	43 389	40 128	43 389	40 128
Allowance for impairment loss	(1 370)	(22)	(1 370)	(22)
	42 019	40 106	42 019	40 106
Other Debtors	94	436	94	436
Prepayments	1 888	1 896	1 888	1 896
Total Receivables	44 001	42 438	44 001	42 438

During the year bad debts amounting to \$0 (2008:\$2 287 000) were written off

At 30 June, the ageing analysis of trade receivables is as follows:

	Economic Entity 2009 \$ '000	Economic Entity 2008 \$ '000	Statutory Corporation 2009 \$ '000	Statutory Corporation 2008 \$ '000
0-30 Days	25 442	27 112	25 442	27 112
31-60 Days (Past due but not impaired)	15 588	11 728	15 588	11 728
31-60 Days (Considered impaired)	9	-	9	-
61-90 Days (Past due but not impaired)	253	1 215	253	1 215
61-90 Days (Considered impaired)	339	-	339	-
> 90 Days (Past due but not impaired)	736	51	736	51
> 90 Days (Considered impaired)	1 022	22	1 022	22
Total	43 389	40 128	43 389	40 128

12. Inventories

	Economic Entity 2009 \$ '000	Economic Entity 2008 \$ '000	Statutory Corporation 2009 \$ '000	Statutory Corporation 2008 \$ '000
Materials and Parts - at cost	6 405	4 867	6 405	4 867
Work in progress and finished goods	3 565	3 294	3 565	3 294
Total Inventories	9 970	8 161	9 970	8 161

Notes to the Financial Statements

For the year ended 30 June 2009

13. Property, Plant and Equipment

Economic Entity	Crown Land \$ '000	Freehold Land \$ '000	Buildings \$ '000	Roads and Bridges \$ '000	Plant and Equipment \$ '000	PPE WIP \$ '000	Total \$ '000
Fair value at 1 July 2007	1 027 747	1 946	27 280	106 065	36 352	4 413	1 203 803
Accumulated depreciation and impairment	-	-	-	(3 852)	(4 990)	-	(8 842)
Net carrying amount at 1 July 2007	1 027 747	1 946	27 280	102 213	31 362	4 413	1 194 961
Additions	-	-	-	-	-	10 242	10 242
Transfers from WIP	-	-	1 285	2 321	6 316	(9 922)	-
Asset Dedications	203	-	-	-	-	-	203
Disposals	(652)	-	-	-	(5 215)	(348)	(6 215)
Asset Revocation	(4 832)	-	-	-	-	-	(4 832)
Depreciation Expense	-	-	(1 353)	(3 945)	(5 179)	-	(10 477)
Net carrying amount at 30 June 2008	1 022 466	1 946	27 212	100 589	27 284	4 385	1 183 882
Fair value at 1 July 2008	1 022 466	1 946	28 565	108 386	34 914	4 385	1 200 662
Accumulated depreciation and impairment	-	-	(1 353)	(7 797)	(7 630)	-	(16 780)
Net carrying amount at 1 July 2008	1 022 466	1 946	27 212	100 589	27 284	4 385	1 183 882
Additions	-	-	-	-	-	8 230	8 230
Transfers from WIP	-	-	1 144	4 375	3 451	(8 970)	-
Transfer to Investment Property	-	-	(80)	-	-	-	(80)
Asset Dedications	235	-	-	-	-	-	235
Asset Revocation	(1 492)	-	-	-	-	-	(1 492)
Disposals	(945)	(120)	(1 416)	(15 231)	(2 138)	-	(19 850)
Depreciation Expense	-	-	(1 433)	(4 072)	(4 623)	-	(10 128)
Impairment loss recognised in P&L	-	-	(4 748)	(8 722)	(4 472)	-	(17 942)
Impairment recognised in ARR	-	-	(7 419)	(10 697)	346	-	(17 770)
Net carrying amount at 30 June 2009	1 020 264	1 826	13 260	66 242	19 848	3 645	1 125 085

Notes to the Financial Statements

For the year ended 30 June 2009

13. Property, Plant and Equipment *cont.*

Statutory Corporation	Crown Land \$ '000	Freehold Land \$ '000	Buildings \$ '000	Roads and Bridges \$ '000	Plant and Equipment \$ '000	PPE WIP \$ '000	Total \$ '000
Fair value at 1 July 2007	1 027 747	1 946	27 280	106 065	36 352	4 413	1 203 803
Accumulated depreciation and impairment	-	-	-	(3 852)	(4 990)	-	(8 842)
Net carrying amount at 1 July 2007	1 027 747	1 946	27 280	102 213	31 362	4 413	1 194 961
Additions	-	-	-	-	-	10 242	10 242
Transfers from WIP	-	-	1 285	2 321	6 316	(9 922)	-
Asset Dedications	203	-	-	-	-	-	203
Disposals	(652)	-	-	-	(5 215)	(348)	(6 215)
Asset Revocation	(4 832)	-	-	-	-	-	(4 832)
Depreciation Expense	-	-	(1 353)	(3 945)	(5 179)	-	(10 477)
Net carrying amount at 30 June 2008	1 022 466	1 946	27 212	100 589	27 284	4 385	1 183 882
Fair value at 1 July 2008	1 022 466	1 946	28 565	108 386	34 914	4 385	1 200 662
Accumulated depreciation and impairment	-	-	(1 353)	(7 797)	(7 630)	-	(16 780)
Net carrying amount at 1 July 2008	1 022 466	1 946	27 212	100 589	27 284	4 385	1 183 882
Additions	-	-	-	-	-	8 230	8 230
Transfers from WIP	-	-	1 144	4 375	3 451	(8 970)	-
Transfer to Investment Property	-	-	(80)	-	-	-	(80)
Asset Dedications	235	-	-	-	-	-	235
Asset Revocation	(1 492)	-	-	-	-	-	(1 492)
Disposals	(945)	(120)	(1 416)	(15 231)	(2 138)	-	(19 850)
Depreciation Expense	-	-	(1 433)	(4 072)	(4 623)	-	(10 128)
Impairment loss recognised in P&L	-	-	(4 748)	(8 722)	(4 472)	-	(17 942)
Impairment recognised in ARR	-	-	(7 419)	(10 697)	346	-	(17 770)
Net carrying amount at 30 June 2009	1 020 264	1 826	13 260	66 242	19 848	3 645	1 125 085

Notes to the Financial Statements

For the year ended 30 June 2009

14. Biological Assets

	Economic Entity 2009 \$ '000	Economic Entity 2008 \$ '000	Statutory Corporation 2009 \$ '000	Statutory Corporation 2008 \$ '000
Current				
Biological assets at fair value	49 613	43 500	49 613	43 500
Non-Current				
Biological assets at fair value	620 387	581 500	620 387	581 500
Total	670 000	625 000	670 000	625 000

Economic Entity	Hardwood Plantations \$ '000	Softwood Plantations \$ '000	Native Forests \$ '000	Total \$ '000
Balance at 1 July 2007	-	599 000	-	599 000
Additions	-	-	-	-
Reallocations	-	(764)	-	(764)
Change in fair value less estimated point of sale costs	-	26 764	-	26 764
Balance at 30 June 2008	-	625 000	-	625 000
Balance at 1 July 2008	-	625 000	-	625 000
Additions	-	-	-	-
Reallocations	-	(20)	-	(20)
Change in fair value less estimated point of sale costs	-	45 020	-	45 020
Balance at 30 June 2009	-	670 000	-	670 000

Statutory Corporation	Hardwood Plantations \$ '000	Softwood Plantations \$ '000	Native Forests \$ '000	Total \$ '000
Balance at 1 July 2007	-	599 000	-	599 000
Additions	-	-	-	-
Reallocations	-	(764)	-	(764)
Change in fair value less estimated point of sale costs	-	26 764	-	26 764
Balance at 30 June 2008	-	625 000	-	625 000
Balance at 1 July 2008	-	625 000	-	625 000
Additions	-	-	-	-
Reallocations	-	(20)	-	(20)
Change in fair value less estimated point of sale costs	-	45 020	-	45 020
Balance at 30 June 2009	-	670 000	-	670 000

15. Investment Assets

	Economic Entity 2009 \$ '000	Economic Entity 2008 \$ '000	Statutory Corporation 2009 \$ '000	Statutory Corporation 2008 \$ '000
Investment assets at the beginning of the reporting period	7 916	9 039	7 916	9 039
Additions/(Disposals) during the year	834	(1 123)	834	(1 123)
Investment assets at the end of the reporting period	8 750	7 916	8 750	7 916

Notes to the Financial Statements

For the year ended 30 June 2009

16. Tax Assets and Liabilities

Economic Entity	Assets 2009 \$ '000	2008 \$ '000	Liabilities 2009 \$ '000	2008 \$ '000	Net 2009 \$ '000	2008 \$ '000
Property, plant and equipment	-	-	298 113	324 372	298 113	324 372
Biological Assets	(239 008)	(239 008)	201 000	187 500	(38 008)	(51 508)
Provisions	(3 571)	(1 452)	-	-	(3 571)	(1 452)
Revenue in Advance	(6 862)	(6 004)	-	-	(6 862)	(6 004)
Net deferred tax (assets) liabilities	(249 441)	(246 464)	499 113	511 872	249 672	265 408

Statutory Corporation	Assets 2009 \$ '000	2008 \$ '000	Liabilities 2009 \$ '000	2008 \$ '000	Net 2009 \$ '000	2008 \$ '000
Property, plant and equipment	-	-	298 113	324 372	298 113	324 372
Biological Assets	(239 008)	(239 008)	201 000	187 500	(38 008)	(51 508)
Provisions	(3 571)	(1 452)	-	-	(3 571)	(1 452)
Revenue in Advance	(6 862)	(6 004)	-	-	(6 862)	(6 004)
Net deferred tax (assets) liabilities	(249 441)	(246 464)	499 113	511 872	249 672	265 408

Economic Entity	Balance 1 July 2007	Recognised in profit & loss	Recognised in equity	Balance 30 June 2008	Recognised in profit & loss	Recognised in equity	Balance 30 June 2009
Property, plant and equipment	327 646	(1 571)	(1 703)	324 372	(14 545)	(11 714)	298 113
Biological assets	(59 308)	7 800	-	(51 508)	13 500	-	(38 008)
Provisions	(1 948)	496	-	(1 452)	(2 119)	-	(3 571)
Revenue in advance	(8 666)	2 662	-	(6 004)	(858)	-	(6 862)
	257 724	9 387	(1 703)	265 408	(4 022)	(11 714)	249 672

Statutory Corporation	Balance 1 July 2007	Recognised in profit & loss	Recognised in equity	Balance 30 June 2008	Recognised in profit & loss	Recognised in equity	Balance 30 June 2009
Property, plant and equipment	327 646	(1 571)	(1 703)	324 372	(14 545)	(11 714)	298 113
Biological assets	(59 308)	7 800	-	(51 508)	13 500	-	(38 008)
Provisions	(1 948)	496	-	(1 452)	(2 119)	-	(3 571)
Revenue in advance	(8 666)	2 662	-	(6 004)	(858)	-	(6 862)
	257 724	9 387	(1 703)	265 408	(4 022)	(11 714)	249 672

Notes to the Financial Statements

For the year ended 30 June 2009

17. Employee Defined Benefits

Fund information

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS).

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership.

All the Schemes are closed to new members.

Reconciliation of the present value of the defined benefit obligation

	SASS Financial Year to 30 June 2009 A\$	SANCS Financial Year to 30 June 2009 A\$	SSS Financial Year to 30 June 2009 A\$	TOTAL Financial Year to 30 June 2009 A\$
Present value of partly funded defined benefit obligation at beginning of the year	37 425 521	3 812 045	0	41 237 566
Current service cost	763 631	192 841	0	956 472
Interest cost	2 350 667	234 490	0	2 585 157
Contributions by Fund participants	560 138	0	0	560 138
Actuarial (gains)/losses	(940 370)	215 226	0	(725 144)
Benefits paid	(3 294 722)	(402 156)	0	(3 696 878)
Past service cost	0	0	0	0
Curtailments	0	0	0	0
Settlements	0	0	0	0
Business Combinations	0	0	0	0
Exchange rate changes	0	0	0	0
Present value of partly funded defined benefit obligation at end of the year	36 864 865	4 052 446	0	40 917 311

Reconciliation of the fair value of Fund assets

	SASS Financial Year to 30 June 2009 A\$	SANCS Financial Year to 30 June 2009 A\$	SSS Financial Year to 30 June 2009 A\$	TOTAL Financial Year to 30 June 2009 A\$
Fair value of Fund assets at beginning of the year	39 042 574	4 277 975	0	43 320 548
Expected return on Fund assets	3 091 288	337 758	0	3 429 046
Actuarial gains/(losses)	(6 907 088)	(749 368)	0	(7 656 455)
Employer contributions	1 089 371	222 740	0	1 312 111
Contributions by Fund participants	560 138	0	0	560 138
Benefits paid	(3 294 722)	(402 156)	0	(3 696 878)
Settlements	0	0	0	0
Business combinations	0	0	0	0
Exchange rate changes	0	0	0	0
Fair value of Fund assets at end of the year	33 581 561	3 686 949	0	37 268 510

Notes to the Financial Statements

For the year ended 30 June 2009

Reconciliation of the assets and liabilities recognised in the balance sheet

	SASS Financial Year to 30 June 2009 A\$	SANCS Financial Year to 30 June 2009 A\$	SSS Financial Year to 30 June 2009 A\$	TOTAL Financial Year to 30 June 2009 A\$
Present value of partly funded defined benefit obligation at end of year	36 864 865	4 052 446	0	40 917 311
Fair value of Fund assets at end of year	(33 581 561)	(3 686 949)	0	(37 268 510)
Subtotal	3 283 304	365 497	0	3 648 801
Unrecognised past service cost	0	0	0	0
Unrecognised gain/(loss)	0	0	0	0
Adjustment for limitation on net asset	0	0	0	0
Net Liability/(Asset) recognised in balance sheet at end of year	3 283 304	365 497	0	3 648 801

Expense recognised in income statement

	SASS Financial Year to 30 June 2009 A\$	SANCS Financial Year to 30 June 2009 A\$	SSS Financial Year to 30 June 2009 A\$	TOTAL Financial Year to 30 June 2009 A\$
Components Recognised in Income Statement				
Current service cost	763 631	192 841	0	956 472
Interest cost	2 350 667	234 490	0	2 585 157
Expected return on Fund assets (net of expenses)	(3 091 288)	(337 758)	0	(3 429 046)
Actuarial losses/(gains) recognised in year	0	0	0	0
Past service cost	0	0	0	0
Movement in adjustment for limitation on net asset	0	0	0	0
Curtailment or settlement (gain)/loss	0	0	0	0
Expense/(income) recognised	23 010	89 573	0	112 583

Amounts recognised in the statement of recognised income and expense

	SASS Financial Year to 30 June 2009 A\$	SANCS Financial Year to 30 June 2009 A\$	SSS Financial Year to 30 June 2009 A\$	TOTAL Financial Year to 30 June 2009 A\$
Actuarial (gains)/losses	5 966 718	964 593	0	6 931 311
Adjustment for limit on net asset	0	0	0	0

Cumulative amount recognised in the statement of recognised income and expense

	SASS Financial Year to 30 June 2009 A\$	SANCS Financial Year to 30 June 2009 A\$	SSS Financial Year to 30 June 2009 A\$	TOTAL Financial Year to 30 June 2009 A\$
Actuarial (gains)/losses	9 843 637	1 600 959	6 398 313	17 842 909
Adjustment for limit on net asset	0	0	0	0

Notes to the Financial Statements

For the year ended 30 June 2009

Fund assets

The percentage invested in each asset class at the balance sheet date:

	30-Jun-09
Australian equities	32.1%
Overseas equities	26.0%
Australian fixed interest securities	6.2%
Overseas fixed interest securities	4.7%
Property	10.0%
Cash	8.0%
Other	13.0%

Fair value of Fund assets

All Fund assets are invested by STC at arm's length through independent fund managers.

Expected rate of return on assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

Actual Return on Fund Assets

	SASS Financial Year to 30 June 2009 A\$	SANCS Financial Year to 30 June 2009 A\$	SSS Financial Year to 30 June 2009 A\$	TOTAL Financial Year to 30 June 2009 A\$
Actual return on Fund assets	(3 776 295)	(411 610)	0	(4 187 905)

Valuation method and principal actuarial assumptions at the balance sheet date

a) Valuation Method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

b) Economic Assumptions

	30-Jun-09
Salary increase rate (excluding promotional increases)	3.5% pa
Rate of CPI Increase	2.5% pa
Expected rate of return on assets	8.13%
Discount rate	5.59%

c) Demographic Assumptions

The demographic assumptions at 30 June 2009 are those that will be used in the 2009 triennial actuarial valuation. The triennial review report will be available from the NSW Treasury website, after it is tabled in Parliament in December 2009.

Notes to the Financial Statements

For the year ended 30 June 2009

Historical information

	SASS Financial Year to 30 June 2009 A\$	SANCS Financial Year to 30 June 2009 A\$	SSS Financial Year to 30 June 2009 A\$	TOTAL Financial Year to 30 June 2009 A\$
Present value of defined benefit obligation	36 864 865	4 052 446	0	40 917 311
Fair value of Fund assets	(33 581 561)	(3 686 949)	0	(37 268 510)
(Surplus)/Deficit in Fund	3 283 304	365 497	0	3 648 801
Experience adjustments – Fund liabilities	(940 370)	215 226	0	(725 144)
Experience adjustments – Fund assets	6 907 088	749 368	0	7 656 455

	SASS Financial Year to 30 June 2008 A\$	SANCS Financial Year to 30 June 2008 A\$	SSS Financial Year to 30 June 2008 A\$	TOTAL Financial Year to 30 June 2008 A\$
Present value of defined benefit obligation	37 425 521	3 812 045	0	41 237 566
Fair value of Fund assets	(39 042 574)	(4 277 975)	0	(43 320 549)
(Surplus)/Deficit in Fund	(1 617 053)	(465 930)	0	(2 082 983)
Experience adjustments – Fund liabilities	(1 629 328)	(15 493)	0	(1 644 821)
Experience adjustments – Fund assets	5 422 540	641 672	0	6 064 212

	SASS Financial Year to 30 June 2007 A\$	SANCS Financial Year to 30 June 2007 A\$	SSS Financial Year to 30 June 2007 A\$	TOTAL Financial Year to 30 June 2007 A\$
Present value of defined benefit obligation	38 737 079	3 656 706	0	42 393 785
Fair value of Fund assets	(43 038 415)	(4 588 782)	0	(47 627 197)
(Surplus)/Deficit in Fund	(4 301 336)	(932 076)	0	(5 233 412)
Experience adjustments – Fund liabilities	2 422 459	12 171	0	2 434 630
Experience adjustments – Fund assets	(2 888 629)	(268 220)	0	(3 156 849)

	SASS Financial Year to 30 June 2006 A\$	SANCS Financial Year to 30 June 2006 A\$	SSS Financial Year to 30 June 2006 A\$	TOTAL Financial Year to 30 June 2006 A\$
Present value of defined benefit obligation	35 192 664	3 357 132	0	38 549 796
Fair value of Fund assets	(38 132 139)	(3 923 711)	0	(42 055 850)
(Surplus)/Deficit in Fund	(2 939 475)	(566 579)	0	(3 506 054)
Experience adjustments – Fund liabilities	181 759	(55 200)	0	126 559
Experience adjustments – Fund assets	(1 073 855)	(82 045)	0	(1 155 900)

Notes to the Financial Statements

For the year ended 30 June 2009

Expected contributions

	SASS Financial Year to 30 June 2009 A\$	SANCS Financial Year to 30 June 2009 A\$	SSS Financial Year to 30 June 2009 A\$	TOTAL Financial Year to 30 June 2009 A\$
Expected employer contributions to be paid in the next reporting period	1 064 262	222 638	0	1 286 900

Funding Arrangements for Employer Contributions

(a) Surplus/deficit

The following is a summary of the 30 June 2009 financial position of the Fund calculated in accordance with AAS 25:

	SASS 30-Jun-09 A\$	SANCS 30-Jun-09 A\$	SSS 30-Jun-09 A\$	TOTAL 30-Jun-09 A\$
Accrued benefits	33 916 504	3 706 542	0	37 623 046
Net market value of Fund assets	(33 581 561)	(3 686 949)	0	(37 268 510)
Net (surplus)/deficit	334 943	19 593	0	354 536

(b) Contribution recommendations

Recommended contribution rates for the entity are:

SASS	SANCS	SSS
multiple of member contributions	% member salary	multiple of member contributions
1.90	2.50	0.00

(c) Funding method

The method used to determine the employer contribution recommendations in the 2006 triennial actuarial review was the Aggregate Funding method. The method adopted affects the timing of the cost to the employer.

Under the Aggregate Funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

(d) Economic assumptions

The economic assumptions to adopted for the 2009 actuarial review of the Fund are:

Weighted-Average Assumptions	
Expected rate of return on Fund assets backing current pension liabilities	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa
Expected salary increase rate	4.0% pa
Expected rate of CPI increase	2.5% pa

Nature of Asset/Liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of Fund assets and the defined benefit obligation.

Notes to the Financial Statements

For the year ended 30 June 2009

Fund information

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

State Authorities Superannuation Scheme (SASS)

State Superannuation Scheme (SSS)

State Authorities Non-contributory Superannuation Scheme (SANCS).

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership.

All the Schemes are closed to new members.

Reconciliation of the present value of the defined benefit obligation

	SASS Financial Year to 30 June 2008 A\$	SANCS Financial Year to 30 June 2008 A\$	SSS Financial Year to 30 June 2008 A\$	TOTAL Financial Year to 30 June 2008 A\$
Present value of partly funded defined benefit obligation at beginning of the year	38 737 079	3 656 706	0	42 393 785
Current service cost	802 455	196 420	0	998 875
Interest cost	2 375 548	221 682	0	2 597 230
Contributions by Fund participants	525 035	0	0	525 035
Actuarial (gains)/losses	(1 629 328)	(15 493)	0	(1 644 820)
Benefits paid	(3 385 269)	(247 270)	0	(3 632 539)
Past service cost	0	0	0	0
Curtailments	0	0	0	0
Settlements	0	0	0	0
Business Combinations	0	0	0	0
Exchange rate changes	0	0	0	0
Present value of partly funded defined benefit obligation at end of the year	37 425 521	3 812 045	0	41 237 566

Reconciliation of the fair value of Fund assets

	SASS Financial Year to 30 June 2008 A\$	SANCS Financial Year to 30 June 2008 A\$	SSS Financial Year to 30 June 2008 A\$	TOTAL Financial Year to 30 June 2008 A\$
Fair value of Fund assets at beginning of the year	43 038 415	4 588 782	0	47 627 197
Expected return on Fund assets	3 185 176	349 247	0	3 534 423
Actuarial gains/(losses)	(5 422 540)	(641 672)	0	(6 064 212)
Employer contributions	1 101 756	228 888	0	1 330 645
Contributions by Fund participants	525 035	0	0	525 035
Benefits paid	(3 385 269)	(247 270)	0	(3 632 539)
Settlements	0	0	0	0
Business combinations	0	0	0	0
Exchange rate changes	0	0	0	0
Fair value of Fund assets at end of the year	39 042 574	4 277 975	0	43 320 548

Notes to the Financial Statements

For the year ended 30 June 2009

Reconciliation of the assets and liabilities recognised in the balance sheet

	SASS Financial Year to 30 June 2008 A\$	SANCS Financial Year to 30 June 2008 A\$	SSS Financial Year to 30 June 2008 A\$	TOTAL Financial Year to 30 June 2008 A\$
Present value of partly funded defined benefit obligation at end of year	37 425 521	3 812 045	0	41 237 566
Fair value of Fund assets at end of year	(39 042 574)	(4 277 975)	0	(43 320 548)
Subtotal	(1 617 053)	(465 930)	0	(2 082 982)
Unrecognised past service cost	0	0	0	0
Unrecognised gain/(loss)	0	0	0	0
Adjustment for limitation on net asset	0	0	0	0
Net Liability/(Asset) recognised in balance sheet at end of year	(1 617 053)	(465 930)	0	(2 082 982)

Expense recognised in income statement

	SASS Financial Year to 30 June 2008 A\$	SANCS Financial Year to 30 June 2008 A\$	SSS Financial Year to 30 June 2008 A\$	TOTAL Financial Year to 30 June 2008 A\$
Components Recognised in Income Statement				
Current service cost	802 455	196 420	0	998 875
Interest cost	2 375 548	221 682	0	2 597 230
Expected return on Fund assets (net of expenses)	(3 185 176)	(349 247)	0	(3 534 423)
Actuarial losses/(gains) recognised in year	0	0	0	0
Past service cost	0	0	0	0
Movement in adjustment for limitation on net asset	0	0	0	0
Curtailment or settlement (gain)/loss	0	0	0	0
Expense/(income) recognised	(7 172)	68 855	0	61 683

Amounts recognised in the statement of recognised income and expense

	SASS Financial Year to 30 June 2008 A\$	SANCS Financial Year to 30 June 2008 A\$	SSS Financial Year to 30 June 2008 A\$	TOTAL Financial Year to 30 June 2008 A\$
Actuarial (gains)/losses	3 793 213	626 179	0	4 419 392
Adjustment for limit on net asset	0	0	0	0

Cumulative amount recognised in the statement of recognised income and expense

	SASS Financial Year to 30 June 2008 A\$	SANCS Financial Year to 30 June 2008 A\$	SSS Financial Year to 30 June 2008 A\$	TOTAL Financial Year to 30 June 2008 A\$
Actuarial (gains)/losses	3 876 919	636 366	6 398 313	10 911 598
Adjustment for limit on net asset	0	0	0	0

Notes to the Financial Statements

For the year ended 30 June 2009

Fund assets

The percentage invested in each asset class at the balance sheet date:

	30-Jun-08
Australian equities	31.6%
Overseas equities	25.4%
Australian fixed interest securities	7.4%
Overseas fixed interest securities	7.5%
Property	11.0%
Cash	6.1%
Other	11.0%

Fair value of Fund assets

All Fund assets are invested by STC at arm's length through independent fund managers.

Expected rate of return on assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

Actual Return on Fund Assets

	SASS Financial Year to 30 June 2008 A\$	SANCS Financial Year to 30 June 2008 A\$	SSS Financial Year to 30 June 2008 A\$	TOTAL Financial Year to 30 June 2008 A\$
Actual return on Fund assets	(2 680 098)	(292 425)	0	(2 972 523)

Valuation method and principal actuarial assumptions at the balance sheet date

a) Valuation Method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

b) Economic Assumptions

	30-Jun-08
Salary increase rate (excluding promotional increases)	3.5% pa
Rate of CPI Increase	2.5% pa
Expected rate of return on assets backing current pension liabilities	8.3%
Expected rate of return on assets backing other liabilities	7.3%
Discount rate	6.55% pa

c) Demographic Assumptions

The demographic assumptions at 30 June 2008 are those used in the 2006 triennial actuarial valuation. A selection of the most financially significant assumptions is shown below:

Notes to the Financial Statements

For the year ended 30 June 2009

(i) SASS Contributors - the number of SASS contributors expected in any one year (out of 10 000 members), at the ages shown, to leave the Fund as a result of death, disability, resignation, retirement and redundancy. Promotional salary increase rates are also shown.

Number of members expected in any one year, out of 10 000 members at the age shown to leave the fund as a result of:						
Age Nearest Birthday	Death	Total & Permanent Disability	Retirement	Resignation	Redundancy	Additional promotional salary increase rate %
Males						
30	4	8	-	280	150	2.90
40	6	10	-	150	150	1.80
50	11	30	-	112	150	0.00
60	30	-	1 400	-	150	0.00
Females						
30	2	2	-	372	150	2.90
40	3	6	-	175	150	1.80
50	7	28	-	144	150	0.00
60	18	-	1 500	-	150	0.00

(ii) SSS Contributors - the number of SSS contributors expected in any one year (out of 10 000 members), at the ages shown, to leave the Fund as a result of death, disability, resignation, retirement and preservation. Promotional salary increase rates are also shown.

Number of members expected in any one year, out of 10 000 members at the age shown to leave the fund as a result of:						
Age Nearest Birthday	Death	Ill-health Retirement	Retirement (R60 for females)	Cash resignation (R60 for females)	Preservation (R60 for females)	Additional promotional salary increase rate %
Males						
30	4	42	-	178	95	2.90
40	6	54	-	80	140	1.80
50	11	144	-	20	50	0.00
60	30	-	6 500	-	-	0.00
Females						
30	2	6	-	204	124	2.90
40	3	21	-	72	105	1.80
50	7	103	-	30	90	0.00
60	18	-	6 300	-	-	0.00

Note: Different assumptions apply to females who have elected to retire at age 55 (R55 members)

(iii) SSS Commutation - the proportion of SSS members assumed to commute their pension to a lump sum in any one year.

Age Later of commencement or age 55	Proportion of pension commuted	
	Retirement .15	Breakdown .20
	Widow	Widower
55	.2500	.2500
65	.5380	.5800
75	.4825	.5160
85	.3928	.3728

Notes to the Financial Statements

For the year ended 30 June 2009

(iv) SSS Pensioner Mortality - assumed mortality rates (in 2006-2007) for SSS pensioners (separately for normal retirement/spouses and invalidity)

Age	Retirement pensioners and spouses and Widows		Invalidity pensioners	
	Male	Females	Male	Females
55	0.0025	0.0014	0.0081	0.0066
65	0.0070	0.0055	0.0112	0.0125
75	0.0194	0.0157	0.0505	0.0314
85	0.0945	0.0634	0.1134	0.1268

(v) SSS Pensioner Mortality Improvements - per annum assumed rates of mortality improvement for SSS pensioners

Age	Improvement rates (for years post 2006)	
	Male	Females
55	0.0152	0.0113
65	0.0101	0.0065
75	0.0087	0.0068
85	0.0052	0.0080

Historical information

	SASS Financial Year to 30 June 2008 A\$	SANCS Financial Year to 30 June 2008 A\$	SSS Financial Year to 30 June 2008 A\$	TOTAL Financial Year to 30 June 2008 A\$
Present value of defined benefit obligation	37 425 521	3 812 045	0	41 237 566
Fair value of Fund assets	(39 042 574)	(4 277 975)	0	(43 320 549)
(Surplus)/Deficit in Fund	(1 617 053)	(465 930)	0	(2 082 983)
Experience adjustments – Fund liabilities	(1 629 328)	(15 493)	0	(1 644 821)
Experience adjustments – Fund assets	5 422 540	641 672	0	6 064 212

Expected contributions

	SASS Financial Year to 30 June 2008 A\$	SANCS Financial Year to 30 June 2008 A\$	SSS Financial Year to 30 June 2008 A\$	TOTAL Financial Year to 30 June 2008 A\$
Expected employer contributions to be paid in the next reporting period	0	0	0	0

Funding Arrangements for Employer Contributions

(a) Surplus/deficit

The following is a summary of the 30 June 2008 financial position of the Fund calculated in accordance with AAS 25:

	SASS 30-Jun-08 A\$	SANCS 30-Jun-08 A\$	SSS 30-Jun-08 A\$	TOTAL 30-Jun-08 A\$
Accrued benefits	37 334 009	3 826 933	0	41 160 942
Net market value of Fund assets	(39 042 574)	(4 277 975)	0	(43 320 548)
Net (surplus)/deficit	(1 708 565)	(451 042)	0	(2 159 606)

Notes to the Financial Statements

For the year ended 30 June 2009

(b) Contribution recommendations

Recommended contribution rates for the entity are:

SASS	SANCS	SSS
multiple of member contributions	% member salary	multiple of member contributions
0.00	0.00	0.00

(c) Funding method

The method used to determine the employer contribution recommendations in the 2006 triennial actuarial review was the *Aggregate Funding method*. The method adopted affects the timing of the cost to the employer.

Under the Aggregate Funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

(d) Economic assumptions

The economic assumptions to adopted for the 2008 actuarial review of the Fund are:

Weighted-Average Assumptions	
Expected rate of return on Fund assets backing current pension liabilities	7.7% pa
Expected rate of return on Fund assets backing other liabilities	7.0% pa
Expected salary increase rate	4.0% pa
Expected rate of CPI increase	2.5% pa

Nature of Asset/Liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of Fund assets and the defined benefit obligation.

18. Trade and Other Payables

	Economic Entity 2009 \$ '000	Economic Entity 2008 \$ '000	Statutory Corporation 2009 \$ '000	Statutory Corporation 2008 \$ '000
Trade Creditors	28 548	29 616	28 548	29 616
Receipts in Advance	22 877	20 015	22 877	20 015
Total	51 425	49 631	51 425	49 631

19. Loans and Borrowings

	Economic Entity 2009 \$ '000	Economic Entity 2008 \$ '000	Statutory Corporation 2009 \$ '000	Statutory Corporation 2008 \$ '000
Current				
NSW Treasury Corporation Loans	5 628	10 562	5 628	10 562
Non-Current				
NSW Treasury Corporation Loans	159 581	158 927	159 581	158 927
Total	165 209	169 489	165 209	169 489

Notes to the Financial Statements

For the year ended 30 June 2009

20. Dividends Paid/Provided for

	Economic Entity 2009 \$ '000	Economic Entity 2008 \$ '000	Statutory Corporation 2009 \$ '000	Statutory Corporation 2008 \$ '000
Provision for dividend at beginning of year	(1 000)	(16 000)	(1 000)	(16 000)
Dividend paid	1 000	16 000	1 000	16 000
Dividend provided	-	(1 000)	-	(1 000)
Provision for dividend at end of year	-	(1 000)	-	(1 000)

21. Provisions

	Notes	Economic Entity 2009 \$ '000	Economic Entity 2008 \$ '000	Statutory Corporation 2009 \$ '000	Statutory Corporation 2008 \$ '000
Current					
Employee Benefits	26 (iv)	13 256	11 697	-	-
Onerous contracts		4 108	-	4 108	-
Workers Compensation		890	770	890	770
Total Current		18 254	12 467	4 998	770
Non Current					
Employee Benefits	26 (iv)	160	120	-	-
Workers Compensation		4 130	3 460	4 130	3 460
Total Non-Current		4 290	3 580	4 130	3 460
Total Provisions		22 544	16 047	9 128	4 230

22. Capital and Reserves

Economic Entity	Contributed Equity \$ '000	Asset Revaluation Reserve \$ '000	Retained Profits \$ '000	Total Equity \$ '000
Balance as at 1 July 2007	421 706	704 872	794 527	1 921 105
Adjustment on change in accounting policy	-	(506)	(570 172)	(570 678)
Restated equity at 1 July 2007	421 706	704 366	224 355	1 350 427
Total recognised income and expense	-	-	25 823	25 823
Asset Disposals	-	(3 620)	-	(3 620)
Transactions with owners in their capacity as owners (a)	-	-	(6 331)	(6 331)
Dividend provided for or paid	-	-	(1 000)	(1 000)
Balance as at 30 June 2008	421 706	700 746	242 847	1 365 299
Balance as at 1 July 2008	421 706	700 746	242 847	1 365 299
Total recognised income and expense	-	-	(28 289)	(28 289)
Asset Disposals	-	(13 782)	-	(13 782)
Impairments/Revaluations	-	(12 412)	-	(12 412)
Transactions with owners in their capacity as owners (a)	-	(1 044)	(1 550)	(2 594)
Dividend provided for or paid	-	-	-	-
Balance as at 30 June 2009	421 706	673 508	213 008	1 308 222

Notes to the Financial Statements

For the year ended 30 June 2009

Statutory Corporation	Contributed Equity \$ '000	Reserves \$ '000	Retained Profits \$ '000	Total Equity \$ '000
Balance as at 1 July 2007	421 706	704 872	794 527	1 921 105
Adjustment on change in accounting policy	-	(506)	(570 172)	(570 678)
Restated equity at 1 July 2007	421 706	704 366	224 355	1 350 427
Total recognised income and expense	-	-	25 823	25 823
Movements in fixed assets	-	(3 620)	-	(3 620)
Transactions with owners in their capacity as owners (a)	-	-	(6 331)	(6 331)
Dividend provided for or paid	-	-	(1 000)	(1 000)
Balance as at 30 June 2008	421 706	700 746	242 847	1 365 299
Balance as at 1 July 2008	421 706	700 746	242 847	1 365 299
Total recognised income and expense	-	-	(28 289)	(28 289)
Asset Disposals	-	(13 782)	-	(13 782)
Impairments/Revaluations	-	(12 412)	-	(12 412)
Transactions with owners in their capacity as owners (a)	-	(1 044)	(1 550)	(2 594)
Dividend provided for or paid	-	-	-	-
Balance as at 30 June 2009	421 706	673 508	213 008	1 308 222

(a) In 2008-09, 7,358.50 hectares (2007-08: 12,364.13 ha) were revoked and transferred to NPWS and other NSW related government agencies

23. Financial Instruments

(i) Quantitative Disclosures

	2009	2008
(i) Unrealised Gains/(Losses) from Derivatives	(\$ 810)	\$ 105,439

(ii) Contractual Maturity Analysis

2008

Category	< 1 year	1 to 5 years	> 5 years	Cash Flows	Market Value
Short Term Borrowings	(10 688 628)	-	-	(10 688 628)	(10 610 322)
Fixed Rate Borrowings	(9 711 446)	(107 000 366)	(100 294 971)	(217 006 783)	(155 383 394)
	(20 400 074)	(107 000 366)	(100 294 971)	(227 695 411)	(165 993 716)

2009

Category	< 1 year	1 to 5 years	> 5 years	Cash Flows	Market Value
Short Term Borrowings	-	-	-	-	-
Fixed Rate Borrowings	(15 529 179)	(92 286 416)	(111 948 936)	(219 764 531)	(170 933 549)
	(15 529 179)	(92 286 416)	(111 948 936)	(219 764 531)	(170 933 549)

(iii) Sensitivity Analysis

Interest Rate Risk

	2009	2008
Approximate increase (decrease) in fair value of financial liabilities assuming one percentage point decrease (increase) in interest rates	\$ 6 800 000	\$ 6 400 000

Hour-Glass Investment Facilities

	Change in Unit Price	2009 \$	2008 \$
Hour-Glass Cash Facility	+/- 1%	+/- 309	+/- 430

**NB: All financial instruments are held in the statutory corporation, therefore, the above tables reflect the position of both the Statutory Corporation and the Economic Entity

Notes to the Financial Statements

For the year ended 30 June 2009

(iv) Net Fair Value of Financial Assets and Liabilities

(a) Off Balance Sheet

Forests NSW have potential financial liabilities which may arise from certain contingencies disclosed in Note 28 - Contingent Liabilities. As explained in the note, the claims cannot be quantified in terms of the likely impact on the carrying value of the Forests NSW asset.

(b) On Balance Sheet

Economic Entity - 2009	1 Year or Less \$'000	1 to 5 Years \$'000	More than 5 Years \$'000	Non Interest Bearing \$'000	Total \$'000
Financial Assets					
Cash and Cash Equivalents	13 791	-	-	-	13 791
Trade and other receivables	-	-	-	42 113	42 113
Prepayments	-	-	-	1 888	1 888
Total Financial Assets	13 791	-	-	44 001	57 792
Financial Liabilities					
Interest bearing loans and borrowings	5 628	64 988	94 593	-	165 209
Trade and other payables	-	-	-	51 425	51 425
Total Financial Liabilities	5 628	64 988	94 593	51 425	216 634
Net Financial Liabilities	8 163	(64 988)	(94 593)	(7 424)	(158 842)

The carrying values of financial instruments are equal to the fair value except for loans and borrowings where the fair value is \$170 933 548

Economic Entity - 2008	1 Year or Less \$'000	1 to 5 Years \$'000	More than 5 Years \$'000	Non Interest Bearing \$'000	Total \$'000
Financial Assets					
Cash and Cash Equivalents	11 640	-	-	-	11 640
Trade and other receivables	-	-	-	40 542	40 542
Prepayments	-	-	-	1 896	1 896
Total Financial Assets	11 640	-	-	42 438	54 078
Financial Liabilities					
Interest bearing loans and borrowings	10 562	77 335	81 592	-	169 489
Trade and other payables	-	-	-	49 631	49 631
Total Financial Liabilities	10 562	77 335	81 592	49 631	219 120
Net Financial Liabilities	1 078	(77 335)	(81 592)	(7 193)	(165 042)

The carrying values of financial instruments are equal to the fair value except for loans and borrowings where the fair value is \$165 182 546

Notes to the Financial Statements

For the year ended 30 June 2009

Statutory Corporation - 2009	1 Year or Less \$'000	1 to 5 Years \$'000	More than 5 Years \$'000	Non Interest Bearing \$'000	Total \$'000
Financial Assets					
Cash and Cash Equivalents	13 791	-	-	-	13 791
Trade and other receivables	-	-	-	42 113	42 113
Prepayments	-	-	-	1 888	1 888
Total Financial Assets	13 791	-	-	44 001	57 792
Financial Liabilities					
Interest bearing loans and borrowings	5 628	64 988	94 593	-	165 209
Trade and other payables	-	-	-	51 425	51 425
Total Financial Liabilities	5 628	64 988	94 593	51 425	216 634
Net Financial Liabilities	8 163	(64 988)	(94 593)	(7 424)	(158 842)

The carrying values of financial instruments are equal to the fair value except for loans and borrowings where the fair value is \$170 933 548

Statutory Corporation - 2008	1 Year or Less \$'000	1 to 5 Years \$'000	More than 5 Years \$'000	Non Interest Bearing \$'000	Total \$'000
Financial Assets					
Cash and Cash Equivalents	11 640	-	-	-	11 640
Trade and other receivables	-	-	-	40 542	40 542
Prepayments	-	-	-	1 896	1 896
Total Financial Assets	11 640	-	-	42 438	54 078
Financial Liabilities					
Interest bearing loans and borrowings	10 562	77 335	81 592	-	169 489
Trade and other payables	-	-	-	49 631	49 631
Total Financial Liabilities	10 562	77 335	81 592	49 631	219 120
Net Financial Liabilities	1 078	(77 335)	(81 592)	(7 193)	(165 042)

The carrying values of financial instruments are equal to the fair value except for loans and borrowings where the fair value is \$165 182 546

(c) Other Qualitative Disclosures:

Managed debt portfolios

NSW Treasury Corporation (T Corp) manages interest rate risk exposures applicable to specific borrowings of Forests NSW in accordance with a debt portfolio mandate agreed between the two parties. TCorp receives a fee for this service, (which may include a performance component where TCorp is able to add value by achieving a reduction in Forests NSW's debt costs against an agreed benchmark). TCorp uses derivatives, primarily interest rate futures, to establish short-term (tactical) and longer term (strategic) positions within agreed tolerance limits to manage portfolio duration and maturity profiles. At reporting date the carrying value of borrowings and derivatives (net of funds held at call) managed by TCorp stood at \$170.9 million (2008:\$165.2 million).

Hour-Glass Investment Facilities

Forests NSW holds units in the following Hour-Glass investment facilities:-

Facility	Investment Sectors	Investment Horizon
Cash Facility	Cash, Money market instruments	Up to 1.5 years

The unit price of each facility is equal to the total fair value of the net assets held by the facility divided by the total number of units on issue for that facility. Unit prices are calculated and published daily.

NSW Treasury Corporation (T Corp) as trustee for the above facility is required to act in the best interest of the unit holders and to administer the trust in accordance with the trust deed. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. A significant portion of the administration of the facilities is outsourced to an external custodian.

Notes to the Financial Statements

For the year ended 30 June 2009

24. Operating Leases

At balance date Forests NSW had operating lease/rental agreements totalling \$925 000 (2008: \$2 003 000). These agreements relate to occupancy of offices throughout the State. Forests NSW had no other material lease and hire purchase agreements.

	Economic Entity 2009 \$ '000	Economic Entity 2008 \$ '000	Statutory Corporation 2009 \$ '000	Statutory Corporation 2008 \$ '000
Not later than one year	504	662	504	662
Later than 1 year and not later than five years	421	1 020	421	1 020
Later than 5 years	-	321	-	321
Total (including GST)	925	2 003	925	2 003

25. Commitments

At balance date Forests NSW has the following commitments:

	2009 \$ '000	2008 \$ '000
Capital		
Establishment of Biological Assets	203	4 048
Others	4 908	8 763
	5 111	12 811
Operating	6 393	263
Total Commitments (a)	11 504	13 074

(a) All commitments are expected to be expended in the next financial year and include input tax credits of \$742 000 (2008: \$1 170 000)

***NB: All commitments are those of the Statutory Corporation, therefore, the above table reflects the position of both the Statutory Corporation and the Economic Entity*

Notes to the Financial Statements

For the year ended 30 June 2009

26. Related Parties

The Public Sector Employment & Management (Department of Primary Industries) Order 2004, made on 23 June 2004 established the NSW Department of Primary Industries (DPI). The Department comprises the former NSW Agriculture, Mineral Resources NSW, NSW Fisheries and Forests NSW. Forests NSW continues to operate as a self funded Public Trading Enterprise (PTE) aligned with DPI's Primary Industries trading division which has responsibility for identification and development of commercial trading activities and opportunities. Forests NSW is presently the only PTE or commercial activity contained within this section of DPI.

Forests NSW's main related parties for trading are Forestry Commission Division and Department of Primary Industries. Related party transactions based on the Memorandum of Understanding are as follows:

(i) Income Statements - Supply of Personnel Services

	Economic Entity 2009 \$ '000	Economic Entity 2008 \$ '000	Statutory Corporation 2009 \$ '000	Statutory Corporation 2008 \$ '000
Department of Primary Industries	106 613	54 136	106 613	54 136
Forestry Commission Division	-	-	35 016	29 389
Total	106 613	54 136	141 629	83 525

(ii) Balance Sheet - Current assets

	Notes	Economic Entity 2009 \$ '000	Economic Entity 2008 \$ '000	Statutory Corporation 2009 \$ '000	Statutory Corporation 2008 \$ '000
Department of Primary Industries		-	9 212	-	9 212
Forestry Commission Division		-	-	-	2 083
Prepaid Superannuation Assets*	17	-	2 083	-	-
Total		-	11 295	-	11 295

* On consolidation, the economic entity has a prepaid superannuation asset.

(iii) Balance Sheet - Current Liabilities

	Notes	Economic Entity 2009 \$ '000	Economic Entity 2008 \$ '000	Statutory Corporation 2009 \$ '000	Statutory Corporation 2008 \$ '000
Department of Primary Industries		(43 881)	-	(43 881)	-
Forestry Commission Division		-	-	(3 649)	-
Superannuation Liability**	17	(3 649)	-	-	-
Total		(47 530)	-	(47 530)	-

** On consolidation, the economic entity has a net superannuation liability.

(iv) Balance Sheet - Non Current Liabilities

	Notes	Economic Entity 2009 \$ '000	Economic Entity 2008 \$ '000	Statutory Corporation 2009 \$ '000	Statutory Corporation 2008 \$ '000
Department of Primary Industries		(27 263)	(24 949)	(27 263)	(24 949)
Forestry Commission Division		-	-	(13 416)	(11 817)
Total		(27 263)	(24 949)	(40 679)	(36 766)

Notes to the Financial Statements

For the year ended 30 June 2009

Key Management Personnel:

- i) Richard Sheldrake Commissioner for Forests NSW
- ii) Nick Roberts Chief Executive Officer

	Short-Term Employee Benefits \$'000	Post Employment Benefits \$'000	Other Long Term Benefits \$'000	Termination Benefits \$'000	Share-based payment \$'000	Total \$'000
30 June 2009 Total Compensation	319	-	-	-	-	319
30 June 2008 Total Compensation	309	-	-	-	-	309

The Commissioner for Forests NSW does not receive any remuneration for services rendered to Forests NSW. All transactions by Forests NSW with key management personnel are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions.

There are no outstanding balances relating to any key management personnel and no guarantees provided or received as well by the key management personnel. For the year ended 30 June 2009, Forests NSW has not raised any provision for doubtful debts relating to amounts owed by key management personnel (2008 nil).

27. Auditors' Remuneration

	Economic Entity 2009 \$ '000	Economic Entity 2008 \$ '000	Statutory Corporation 2009 \$ '000	Statutory Corporation 2008 \$ '000
Audit Office of NSW - Audit of financial statements	431	370	431	370

28. Contingent liabilities

During the 2008-2009 year, 195 hectares (2007-2008, 289 hectares) of operational timber reserves were subject to claims under the Native Title Act. The impact of these claims cannot be quantified at this time.

As at balance sheet date, Forests NSW has potential public liability insurance claims limited to \$321 963 (2008 \$190 000), being the net excess on its current public insurance liability policy at the date of the relevant claims.

Forest NSW may need to rehabilitate derelict mines which lie on its land. The amount of this contingent liability cannot be measured reliably at this time.

Forests NSW may have onerous contracts in relation to wood supply agreements for native forest timber. The quantum of this amount is not able to be determined as the wood supply agreements allow for movements in price and volume.

29. Consultants

Forests NSW engaged consultants to undertake activities, which require specialist or independent skills. In 2009 the total cost for consultants was \$1 614 231 (2008: \$212 946).

30. Subsequent Events

On 11 June 2009 the Premier announced the creation of 13 new "super" departments. The announcement foreshadowed that the NSW DPI, including Forests NSW, will become part of the new Department of Industry and Investment. Effective from 27 July 2009 Forests NSW is a division of Industry and Investment NSW. This has no effect on the operation of Forests NSW as public trading enterprise.

End of Audited Financial Statements

STATEMENT BY COMMISSIONER

(as Corporation Sole Under Section 7 (1) of the Forestry Act 1916)

Pursuant to the Public Finance and Audit Act, 1983, the statements are signed and attested in the following terms:

In my opinion, the accompanying financial statements present a true and fair view of the financial position of the economic entity and statutory corporation of the Forestry Commission of New South Wales (trading as Forests NSW) as at 30 June 2009 and the results of their operations and transactions for the year then ended.

The financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act, 1983, and accompanying regulations, and the Treasurer's Directions.

I am not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Richard Sheldrake

Commissioner for the Forestry Commission of New South Wales
Dated this 27th day of October, 2009



INDEPENDENT AUDITOR'S REPORT

Forestry Commission of New South Wales (Trading as Forests NSW) and Controlled Entity

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Forestry Commission of New South Wales (the Commission), which comprises the balance sheets as at 30 June 2009, the income statements, statements of recognised income and expense and cash flow statements for the year then ended, a summary of significant accounting policies and other explanatory notes for both the Commission and the Economic Entity. The Economic Entity comprises the Commission and the entities it controlled at the year's end or from time to time during the financial year.

Qualified Auditor's Opinion

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to satisfy myself regarding as to the tax deductibility of plantation establishment costs incurred prior to 1 July 1994 for biological assets, the financial report:

- presents fairly, in all material respects, the financial position of the Commission and the Economic Entity as at 30 June 2009, and of their financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41 B of the Public Finance and Audit Act 1983 (the PF&A Act) and the Public Finance and Audit Regulation 2005.

My opinion should be read in conjunction with the rest of this report.

Basis for Qualified Auditor's Opinion

Note 2 (e) under the heading Income Tax (National Tax Equivalent Regime) the Commission discloses \$797 million for the establishment of plantation forests as a deduction in calculating its deferred tax liability. To date, there has been no formal resolution of this matter and I have been unable to obtain all the information required to form an opinion on the \$767 million as an allowable taxation deduction. I have been unable to carry out audit work to quantify the possible adjustments to the financial report that might have been necessary had this limitation not existed.

Commissioner's Responsibility for the Financial Report

The Commissioner is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. 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.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit except as discussed in the qualification paragraph. I conducted my audit 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 whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Commission's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Commissioner, 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.

My opinion does not provide assurance:

- about the future viability of the Commission or the Economic Entity,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act 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 public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

Peter Achterstraat

Auditor-General
27 October 2009
SYDNEY

Income Statement

For the year ended 30 June 2009

	Notes	2009 \$ '000	2008 \$ '000
Personnel Services	6	35 016	29 389
Total Revenue		35 016	29 389
Less Expenses from continuing operations			
Wages		19 971	18 743
Superannuation		1 004	288
Annual and long service leave		4 745	4 209
Payroll tax		1 263	1 257
Workers compensation		1 082	435
Fringe Benefits Tax		20	38
Total expenses		28 085	24 970
Net profit/(loss) for the year		6 931	4 419

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

Balance Sheet

For the year ended 30 June 2009

	Notes	2009 \$ '000	2008 \$ '000
Current Assets			
Receivables		17 065	11 817
Other assets	4	-	2 083
Total Current Assets		17 065	13 900
TOTAL ASSETS		17 065	13 900
Current Liabilities			
Provisions	5	13 256	11 697
Amount due to related entities	6	-	2 083
Net Superannuation Liability	4	3 649	-
Total Current Liabilities		16 905	13 780
Non-Current Liabilities			
Provisions	5	160	120
Total Non-Current Liabilities		160	120
TOTAL LIABILITIES		17 065	13 900
NET ASSETS		-	-
Equity			
Retained profits		-	-
TOTAL EQUITY		-	-

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

Statement of Cash Flows

For the year ended 30 June 2009

	Notes	2009 \$ '000	2008 \$ '000
Cash flows from operating activities			
Cash receipts from customers		-	-
Cash paid to suppliers and employees		-	-
Interest received		-	-
Interest paid		-	-
Income taxes paid		-	-
Net Cash from (used in) operating Activities		-	-
Cash flows from investing activities			
Acquisition of property, plant and equipment		-	-
Plantations and acquisitions of non-current biological assets		-	-
Proceeds from sale of property, plant & equipment		-	-
Net cash from (used in) investing activities		-	-
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Dividends paid		-	-
Payment of finance lease liabilities		-	-
Net cash from (used in) financing activities		-	-
Net increase (decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at 1 July 2008		-	-
Cash and cash equivalents at 30 June 2009		-	-

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

Statement of Recognised Income and Expense

For the year ended 30 June 2009

	Notes	2009 \$ '000	2008 \$ '000
Defined benefit plan actuarial gains (losses)	4	(6 931)	(4 419)
Income and expense recognised direct in equity		(6 931)	(4 419)
Profit for the year		6 931	4 419
Total recognised income and expense for the year		-	-
Attributable to:			
Equity holders		-	-

The above statement of recognised income and expense should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2009

1. Corporate Information

Forestry Commission Division is a Division of the Government Service established pursuant to Part 3 of the Schedule 1 to the Public Sector Employment and Management Act 2002. It is a not for profit entity as profit is not its principal objective. It is consolidated as part of Forests NSW and the NSW Total Sector Accounts. It is domiciled in Australia and its principal office is located 121-131 Oratava Avenue, West Pennant Hills, NSW, 2125.

Forestry Commission Division objective is to provide personnel services to Forestry Commission of NSW (trading as Forests NSW).

Personnel Service provided to Forestry Commission of NSW is based on a Memorandum of Understanding established on 17 March 2006.

Forestry Commission Division commenced operation on 17 March 2006 and assumed the responsibility for the employees and employee-related liabilities of the section 10 of the Forestry Commission of NSW.

The assumed liabilities were recognised as at 30 June 2007 with offsetting receivable from Forestry Commission of NSW.

2. Summary of Significant Accounting Policies

(a) Statement of Compliance

This general purpose financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

The financial report for the year ended 30 June 2009 has been authorised for issue by the Commissioner of Forests NSW, Richard Shelldrake, on 27 October 2009.

(b) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations, the Public Finance and Audit Act 1983, and the Public Finance and Audit (General) Regulation 2005 and specific directions issued by the Treasurer.

Generally, the historical cost basis of accounting has been adopted and the financial report does not take into account changing money values or current valuations. However, certain provisions are measured at fair value.

The accrual basis of accounting has been adopted in the preparation of the financial report.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

(c) Significant accounting judgements, estimates and assumptions

In the application of accounting standards, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstance, the results of which form the basis to make the judgements.

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.

(d) Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable. Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

(e) Trade and Other Receivables

A receivable is recognised when it is probable that the future cash inflows associated with it will be realised and it has a value that can be measured reliably. It is derecognised when the contractual or other rights to future cash flows from it expire or are transferred.

A receivable is measured initially at fair value and subsequently at amortised cost using the effective interest rate method, less any allowance for doubtful debts. A short-term receivable with no stated interest rate is measured at the original invoice amount where the effect of discounting is immaterial. An invoiced receivable is due for settlement within thirty days of invoicing.

If there is objective evidence at year end that a receivable may not be collectable, its carrying amount is reduced by means of an allowance for doubtful debts and the resulting loss is recognised in the income statement. Receivables are monitored during the year and bad debts are written off against the allowance when they are determined to be irrecoverable. Any other loss or gain arising when a receivable is derecognised is also recognised in the income statement.

(f) Trade and Other Payables

Payables include accrued wages, salaries, and related on costs (such as payroll tax, fringe benefits tax and workers' compensation insurance) where there is certainty as to the amount and timing of settlement.

A payable is recognised when a present obligation arises under a contract or otherwise. It is derecognised when the obligation expires or is discharged, cancelled or substituted. A short-term payable with no stated interest rate is measured at historical cost if the effect of discounting is immaterial.

(g) Employee Benefits provisions and expenses

Provisions are made for liabilities of uncertain amount or uncertain timing of settlement. Employee benefit provisions represent expected amounts payable in the future in respect of unused entitlements accumulated as at the reporting date. Liabilities associated with, but that are not, employee benefits (such as payroll tax) are recognised separately. Superannuation and leave liabilities are recognised as expenses and provisions when the obligations arise, which is usually through the rendering of service by employees.

Long-term annual leave (i.e. that is not expected to be taken within twelve months) is measured at present value using a discount rate equal to the market yield on government bonds.

Long Service leave liability was actuarially assessed as at 30 June 2009. Superannuation liability for defined benefit funds for NSW state employees are actuarially assessed by Pillar Administration prior to each reporting date and are measured at the present value of the estimated future payments.

Notes to the Financial Statements

For the year ended 30 June 2009

All other employee benefit liabilities (i.e. for benefits falling due wholly within twelve months after reporting date) are assessed by management and are measured at the undiscounted amount of the estimated future payments.

The amount recognised for superannuation and long service leave provisions is the net total of the present value of the defined benefit obligation at the reporting date, minus the fair value at that date of any plan assets out of which the obligations are to be settled directly.

The amount recognised in the income statement for superannuation and long service leave is the net total of current service cost, interest cost, the expected return on any plan assets, and actuarial gains and losses. Actuarial gains or losses are recognised as income or expense in the year they occur.

The actuarial assessment of superannuation and long service leave provisions uses the Projected Unit Credit Method and reflects estimated future salary increases and the benefits set out in the terms of the plan. The liabilities are discounted using the market yield rate on government bonds of similar maturity to those obligations. Actuarial assumptions are unbiased and mutually compatible and financial assumptions are based on market expectations for the period over which the obligations are to be settled.

(h) Adoption of new and revised Accounting Standards.

In the current year, Economic entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (The AASB) that are relevant to its operations and effective for the current annual reporting period.

At the date of authorisation of the financial report, the following Standards and Interpretations were on issue but not yet effective:

<ul style="list-style-type: none"> • AASB 8 'Operating Segments' and consequential amendments to other accounting standards resulting from its issue. 	<ul style="list-style-type: none"> • Effective for annual reporting periods beginning on or after 1 January 2009.
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Early adoption of new or revised Accounting Standards/Interpretation.

The following Australian Accounting Standards/Interpretations have been mandated by NSW Treasury not to adopt early in this financial report:

- AASB 3 (March 2008), AASB 127 and AASB 2008-3 regarding business combinations;
- AASB 8 and AASB 2007-3 regarding operating segments;
- AASB 101 (Sept 2007) and AASB 2007-8 regarding presentation of financial statements;
- AASB 123 (June 2007) and AASB 2007-6 regarding borrowing costs;
- AASB 1004 (Dec 2007) regarding contributions;
- AASB 1049 (Oct 2007) regarding the whole of government and general government sector financial reporting;
- AASB 1050 (Dec 2007) regarding administered items;
- AASB 1051 (Dec 2007) regarding land under roads;
- AASB 1052 (Dec 2007) regarding disaggregated disclosures;
- AASB 2007-9 regarding amendments arising from the review of AAS' 27, 29 and 31;
- AASB 2008-1 regarding share based payments;
- AASB 2008-2 regarding puttable financial instruments;
- Interpretation 4 (Feb 2007) regarding determining whether an arrangement contains a lease;
- Interpretation 12 and AASB 2007-2 regarding service concession arrangements;
- Interpretation 13 on customer loyalty programmes;
- Interpretation 14 regarding the limit on a defined benefit asset;
- Interpretation 129 (Feb 2007) regarding service concession disclosures;
- Interpretation 1038 (Dec 2007) regarding contributions by owners.

3. Changes in Accounting Policy and Correction of Errors

Changes in accounting policies – Superannuation actuarial gains and losses

According with NSW Treasury policy, Forests NSW has changed its policy on the recognition of superannuation actuarial gains and losses. Such actuarial gains and losses are now recognised outside of profit or loss in the 'statement of recognised income and expense'. Previously, actuarial gains and losses were recognised through profit or loss. Both options are permissible under AASB 119 *Employee Benefits*.

The change in policy has been adopted on the basis that recognition outside profit or loss provides reliable and more relevant information as it better reflects the nature of actuarial gains and losses. This is because actuarial gains/losses are re-measurements, based on assumptions that do not necessarily reflect the ultimate cost of providing superannuation.

Recognition outside profit or loss also harmonises better with the Government Finance Statistics / GAAP comprehensive income presentation for the whole of government and general government sector, required under AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. A comprehensive income presentation will also be available at the entity level from 2009-10 under AASB 101 *Presentation of Financial Statements*.

The change in accounting policy increases 2009 'Net profit/(loss) for the year' from \$0 to \$6.9m (2008: from \$0 to \$4.4m), by excluding from profit the superannuation actuarial loss line item (2009: \$6.9m, 2008: \$4.4m). The superannuation actuarial gains and losses are now recognised in the 'statement of recognised income and expense' rather than the 'income statement'.

Notes to the Financial Statements

For the year ended 30 June 2009

4. Employee Defined Benefits

Fund information

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

State Authorities Superannuation Scheme (SASS)

State Superannuation Scheme (SSS)

State Authorities Non-contributory Superannuation Scheme (SANCS).

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership.

All the Schemes are closed to new members.

Reconciliation of the present value of the defined benefit obligation

	SASS Financial Year to 30 June 2009 A\$	SANCS Financial Year to 30 June 2009 A\$	SSS Financial Year to 30 June 2009 A\$	TOTAL Financial Year to 30 June 2009 A\$
Present value of partly funded defined benefit obligation at beginning of the year	37 425 521	3 812 045	0	41 237 566
Current service cost	763 631	192 841	0	956 472
Interest cost	2 350 667	234 490	0	2 585 157
Contributions by Fund participants	560 138	0	0	560 138
Actuarial (gains)/losses	(940 370)	215 226	0	(725 144)
Benefits paid	(3 294 722)	(402 156)	0	(3 696 878)
Past service cost	0	0	0	0
Curtailments	0	0	0	0
Settlements	0	0	0	0
Business Combinations	0	0	0	0
Exchange rate changes	0	0	0	0
Present value of partly funded defined benefit obligation at end of the year	36 864 865	4 052 446	0	40 917 311

Reconciliation of the fair value of Fund assets

	SASS Financial Year to 30 June 2009 A\$	SANCS Financial Year to 30 June 2009 A\$	SSS Financial Year to 30 June 2009 A\$	TOTAL Financial Year to 30 June 2009 A\$
Fair value of Fund assets at beginning of the year	39 042 574	4 277 975	0	43 320 548
Expected return on Fund assets	3 091 288	337 758	0	3 429 046
Actuarial gains/(losses)	(6 907 088)	(749 368)	0	(7 656 455)
Employer contributions	1 089 371	222 740	0	1 312 111
Contributions by Fund participants	560 138	0	0	560 138
Benefits paid	(3 294 722)	(402 156)	0	(3 696 878)
Settlements	0	0	0	0
Business combinations	0	0	0	0
Exchange rate changes	0	0	0	0
Fair value of Fund assets at end of the year	33 581 561	3 686 949	0	37 268 510

Notes to the Financial Statements

For the year ended 30 June 2009

Reconciliation of the assets and liabilities recognised in the balance sheet

	SASS Financial Year to 30 June 2009 A\$	SANCS Financial Year to 30 June 2009 A\$	SSS Financial Year to 30 June 2009 A\$	TOTAL Financial Year to 30 June 2009 A\$
Present value of partly funded benefit obligation at end of year	36 864 865	4 052 446	0	40 917 311
Fair value of Fund assets at end of year	(33 581 561)	(3 686 949)	0	(37 268 510)
Subtotal	3 283 304	365 497	0	3 648 801
Unrecognised past service cost	0	0	0	0
Unrecognised gain/(loss)	0	0	0	0
Adjustment for limitation on net asset	0	0	0	0
Net Liability/(Asset) recognised in balance sheet at end of year	3 283 304	365 497	0	3 648 801

Expense recognised in income statement

	SASS Financial Year to 30 June 2009 A\$	SANCS Financial Year to 30 June 2009 A\$	SSS Financial Year to 30 June 2009 A\$	TOTAL Financial Year to 30 June 2009 A\$
Components Recognised in Income Statement				
Current service cost	763 631	192 841	0	956 472
Interest cost	2 350 667	234 490	0	2 585 157
Expected return on Fund assets (net of expenses)	(3 091 288)	(337 758)	0	(3 429 046)
Actuarial losses/(gains) recognised in year	0	0	0	0
Past service cost	0	0	0	0
Movement in adjustment for limitation on net asset	0	0	0	0
Curtailement or settlement (gain)/loss	0	0	0	0
Expense/(income) recognised	23 010	89 573	0	112 583

Amounts recognised in the statement of recognised income and expense

	SASS Financial Year to 30 June 2009 A\$	SANCS Financial Year to 30 June 2009 A\$	SSS Financial Year to 30 June 2009 A\$	TOTAL Financial Year to 30 June 2009 A\$
Actuarial (gains)/losses	5 966 718	964 593	0	6 931 311
Adjustment for limit on net asset	0	0	0	0

Cumulative amount recognised in the statement of recognised income and expense

	SASS Financial Year to 30 June 2009 A\$	SANCS Financial Year to 30 June 2009 A\$	SSS Financial Year to 30 June 2009 A\$	TOTAL Financial Year to 30 June 2009 A\$
Actuarial (gains)/losses	9 843 637	1 600 959	6 398 313	17 842 909
Adjustment for limit on net asset	0	0	0	0

Notes to the Financial Statements

For the year ended 30 June 2009

Fund assets

The percentage invested in each asset class at the balance sheet date:

	30-Jun-09
Australian equities	32.1%
Overseas equities	26.0%
Australian fixed interest securities	6.2%
Overseas fixed interest securities	4.7%
Property	10.0%
Cash	8.0%
Other	13.0%

Fair value of Fund assets

All Fund assets are invested by STC at arm's length through independent fund managers.

Expected rate of return on assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

Actual Return on Fund Assets

	SASS Financial Year to 30 June 2009 A\$	SANCS Financial Year to 30 June 2009 A\$	SSS Financial Year to 30 June 2009 A\$	TOTAL Financial Year to 30 June 2009 A\$
Actual return on Fund assets	(3 776 295)	(411 610)	0	(4 187 905)

Valuation method and principal actuarial assumptions at the balance sheet date

a) Valuation Method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

b) Economic Assumptions

	30-Jun-09
Salary increase rate (excluding promotional increases)	3.5% pa
Rate of CPI Increase	2.5% pa
Expected rate of return on assets	8.13%
Discount rate	5.59%

c) Demographic Assumptions

The demographic assumptions at 30 June 2009 are those that will be used in the 2009 triennial actuarial valuation. The triennial review report will be available from the NSW Treasury website, after it is tabled in Parliament in December 2009.

Notes to the Financial Statements

For the year ended 30 June 2009

Historical information

	SASS Financial Year to 30 June 2009 A\$	SANCS Financial Year to 30 June 2009 A\$	SSS Financial Year to 30 June 2009 A\$	TOTAL Financial Year to 30 June 2009 A\$
Present value of defined benefit obligation	36 864 865	4 052 446	0	40 917 311
Fair value of Fund assets	(33 581 561)	(3 686 949)	0	(37 268 510)
(Surplus)/Deficit in Fund	3 283 304	365 497	0	3 648 801
Experience adjustments – Fund liabilities	(940 370)	215 226	0	(725 144)
Experience adjustments – Fund assets	6 907 088	749 368	0	7 656 455

	SASS Financial Year to 30 June 2008 A\$	SANCS Financial Year to 30 June 2008 A\$	SSS Financial Year to 30 June 2008 A\$	TOTAL Financial Year to 30 June 2008 A\$
Present value of defined benefit obligation	37 425 521	3 812 045	0	41 237 566
Fair value of Fund assets	(39 042 574)	(4 277 975)	0	(43 320 549)
(Surplus)/Deficit in Fund	(1 617 053)	(465 930)	0	(2 082 983)
Experience adjustments – Fund liabilities	(1 629 328)	(15 493)	0	(1 644 821)
Experience adjustments – Fund assets	5 422 540	641 672	0	6 064 212

	SASS Financial Year to 30 June 2007 A\$	SANCS Financial Year to 30 June 2007 A\$	SSS Financial Year to 30 June 2007 A\$	TOTAL Financial Year to 30 June 2007 A\$
Present value of defined benefit obligation	38 737 079	3 656 706	0	42 393 785
Fair value of Fund assets	(43 038 415)	(4 588 782)	0	(47 627 197)
(Surplus)/Deficit in Fund	(4 301 336)	(932 076)	0	(5 233 412)
Experience adjustments – Fund liabilities	2 422 459	12 171	0	2 434 630
Experience adjustments – Fund assets	(2 888 629)	(268 220)	0	(3 156 849)

	SASS Financial Year to 30 June 2006 A\$	SANCS Financial Year to 30 June 2006 A\$	SSS Financial Year to 30 June 2006 A\$	TOTAL Financial Year to 30 June 2006 A\$
Present value of defined benefit obligation	35 192 664	3 357 132	0	38 549 796
Fair value of Fund assets	(38 132 139)	(3 923 711)	0	(42 055 850)
(Surplus)/Deficit in Fund	(2 939 475)	(566 579)	0	(3 506 054)
Experience adjustments – Fund liabilities	181 759	(55 200)	0	126 559
Experience adjustments – Fund assets	(1 073 855)	(82 045)	0	(1 155 900)

Expected contributions

	SASS Financial Year to 30 June 2009 A\$	SANCS Financial Year to 30 June 2009 A\$	SSS Financial Year to 30 June 2009 A\$	TOTAL Financial Year to 30 June 2009 A\$
Expected employer contributions to be paid in the next reporting period	1 064 262	222 638	0	1 286 900

Notes to the Financial Statements

For the year ended 30 June 2009

Funding Arrangements for Employer Contributions

(a) Surplus/deficit

The following is a summary of the 30 June 2009 financial position of the Fund calculated in accordance with AAS 25:

	SASS 30-Jun-09 A\$	SANCS 30-Jun-09 A\$	SSS 30-Jun-09 A\$	TOTAL 30-Jun-09 A\$
Accrued benefits	33 916 504	3 706 542	0	37 623 046
Net market value of Fund assets	(33 581 561)	(3 686 949)	0	(37 268 510)
Net (surplus)/deficit	334 943	19 593	0	354 536

(b) Contribution recommendations

Recommended contribution rates for the entity are:

SASS	SANCS	SSS
multiple of member contributions	% member salary	multiple of member contributions
1.90	2.50	0.00

(c) Funding method

The method used to determine the employer contribution recommendations in the 2006 triennial actuarial review was the Aggregate Funding method. The method adopted affects the timing of the cost to the employer.

Under the Aggregate Funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

(d) Economic assumptions

The economic assumptions to adopted for the 2009 actuarial review of the Fund are:

Weighted-Average Assumptions	
Expected rate of return on Fund assets backing current pension liabilities	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa
Expected salary increase rate	4.0% pa
Expected rate of CPI increase	2.5% pa

Nature of Asset/Liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of Fund assets and the defined benefit obligation.

Fund information

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

State Authorities Superannuation Scheme (SASS)

State Superannuation Scheme (SSS)

State Authorities Non-contributory Superannuation Scheme (SANCS).

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership.

All the Schemes are closed to new members.

Notes to the Financial Statements

For the year ended 30 June 2009

Reconciliation of the present value of the defined benefit obligation

	SASS Financial Year to 30 June 2008 A\$	SANCS Financial Year to 30 June 2008 A\$	SSS Financial Year to 30 June 2008 A\$	TOTAL Financial Year to 30 June 2008 A\$
Present value of partly funded defined benefit obligation at beginning of the year	38 737 079	3 656 706	0	42 393 785
Current service cost	802 455	196 420	0	998 875
Interest cost	2 375 548	221 682	0	2 597 230
Contributions by Fund participants	525 035	0	0	525 035
Actuarial (gains)/losses	(1 629 328)	(15 493)	0	(1 644 820)
Benefits paid	(3 385 269)	(247 270)	0	(3 632 539)
Past service cost	0	0	0	0
Curtailments	0	0	0	0
Settlements	0	0	0	0
Business Combinations	0	0	0	0
Exchange rate changes	0	0	0	0
Present value of partly funded defined benefit obligation at end of the year	37 425 521	3 812 045	0	41 237 566

Reconciliation of the fair value of Fund assets

	SASS Financial Year to 30 June 2008 A\$	SANCS Financial Year to 30 June 2008 A\$	SSS Financial Year to 30 June 2008 A\$	TOTAL Financial Year to 30 June 2008 A\$
Fair value of Fund assets at beginning of the year	43 038 415	4 588 782	0	47 627 197
Expected return on Fund assets	3 185 176	349 247	0	3 534 423
Actuarial gains/(losses)	(5 422 540)	(641 672)	0	(6 064 212)
Employer contributions	1 101 756	228 888	0	1 330 645
Contributions by Fund participants	525 035	0	0	525 035
Benefits paid	(3 385 269)	(247 270)	0	(3 632 539)
Settlements	0	0	0	0
Business combinations	0	0	0	0
Exchange rate changes	0	0	0	0
Fair value of Fund assets at end of the year	39 042 574	4 277 975	0	43 320 548

Reconciliation of the assets and liabilities recognised in the balance sheet

	SASS Financial Year to 30 June 2008 A\$	SANCS Financial Year to 30 June 2008 A\$	SSS Financial Year to 30 June 2008 A\$	TOTAL Financial Year to 30 June 2008 A\$
Present value of partly funded defined benefit obligation at end of year	37 425 521	3 812 045	0	41 237 566
Fair value of Fund assets at end of year	(39 042 574)	(4 277 975)	0	(43 320 548)
Subtotal	(1 617 053)	(465 930)	0	(2 082 982)
Unrecognised past service cost	0	0	0	0
Unrecognised gain/(loss)	0	0	0	0
Adjustment for limitation on net asset	0	0	0	0
Net Liability/(Asset) recognised in balance sheet at end of year	(1 617 053)	(465 930)	0	(2 082 982)

Notes to the Financial Statements

For the year ended 30 June 2009

Expense recognised in income statement

	SASS Financial Year to 30 June 2008 A\$	SANCS Financial Year to 30 June 2008 A\$	SSS Financial Year to 30 June 2008 A\$	TOTAL Financial Year to 30 June 2008 A\$
Components Recognised in Income Statement				
Current service cost	802 455	196 420	0	998 875
Interest cost	2 375 548	221 682	0	2 597 230
Expected return on Fund assets (net of expenses)	(3 185 176)	(349 247)	0	(3 534 423)
Actuarial losses/(gains) recognised in year	0	0	0	0
Past service cost	0	0	0	0
Movement in adjustment for limitation on net asset	0	0	0	0
Curtailment or settlement (gain)/loss	0	0	0	0
Expense/(income) recognised	(7 172)	68 855	0	61 683

Amounts recognised in the statement of recognised income and expense

	SASS Financial Year to 30 June 2008 A\$	SANCS Financial Year to 30 June 2008 A\$	SSS Financial Year to 30 June 2008 A\$	TOTAL Financial Year to 30 June 2008 A\$
Actuarial (gains)/losses	3 793 213	626 179	0	4 419 392
Adjustment for limit on net asset	0	0	0	0

Cumulative amount recognised in the statement of recognised income and expense

	SASS Financial Year to 30 June 2008 A\$	SANCS Financial Year to 30 June 2008 A\$	SSS Financial Year to 30 June 2008 A\$	TOTAL Financial Year to 30 June 2008 A\$
Actuarial (gains)/losses	3 876 919	636 366	6 398 313	10 911 598
Adjustment for limit on net asset	0	0	0	0

Fund assets

The percentage invested in each asset class at the balance sheet date:

	30-Jun-08
Australian equities	31.6%
Overseas equities	25.4%
Australian fixed interest securities	7.4%
Overseas fixed interest securities	7.5%
Property	11.0%
Cash	6.1%
Other	11.0%

Fair value of Fund assets

All Fund assets are invested by STC at arm's length through independent fund managers.

Notes to the Financial Statements

For the year ended 30 June 2009

Expected rate of return on assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

Actual Return on Fund Assets

	SASS Financial Year to 30 June 2008 A\$	SANCS Financial Year to 30 June 2008 A\$	SSS Financial Year to 30 June 2008 A\$	TOTAL Financial Year to 30 June 2008 A\$
Actual return on Fund assets	(2 680 098)	(292 425)	0	(2 972 523)

Valuation method and principal actuarial assumptions at the balance sheet date

a) Valuation Method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

b) Economic Assumptions

	30-Jun-08
Salary increase rate (excluding promotional increases)	3.5% pa
Rate of CPI Increase	2.5% pa
Expected rate of return on assets backing current pension liabilities	8.3%
Expected rate of return on assets backing other liabilities	7.3%
Discount rate	6.55% pa

c) Demographic Assumptions

The demographic assumptions at 30 June 2008 are those used in the 2006 triennial actuarial valuation. A selection of the most financially significant assumptions is shown below:

(i) SASS Contributors - the number of SASS contributors expected in any one year (out of 10 000 members), at the ages shown, to leave the Fund as a result of death, disability, resignation, retirement and redundancy. Promotional salary increase rates are also shown.

Number of members expected in any one year, out of 10 000 members at the age shown to leave the fund as a result of:						
Age Nearest Birthday	Death	Total & Permanent Disability	Retirement	Resignation	Redundancy	Additional promotional salary increase rate %
Males						
30	4	8	-	280	150	2.90
40	6	10	-	150	150	1.80
50	11	30	-	112	150	0.00
60	30	-	1 400	-	150	0.00
Females						
30	2	2	-	372	150	2.90
40	3	6	-	175	150	1.80
50	7	28	-	144	150	0.00
60	18	-	1 500	-	150	0.00

Notes to the Financial Statements

For the year ended 30 June 2009

(ii) SSS Contributors - the number of SSS contributors expected in any one year (out of 10 000 members), at the ages shown, to leave the Fund as a result of death, disability, resignation, retirement and preservation. Promotional salary increase rates are also shown.

Number of members expected in any one year, out of 10 000 members at the age shown to leave the fund as a result of:						
Age Nearest Birthday	Death	Ill-health Retirement	Retirement (R60 for females)	Cash resignation (R60 for females)	Preservation (R60 for females)	Additional promotional salary Increase rate %
Males						
30	4	42	-	178	95	2.90
40	6	54	-	80	140	1.80
50	11	144	-	20	50	0.00
60	30	-	6 500	-	-	0.00
Females						
30	2	6	-	204	124	2.90
40	3	21	-	72	105	1.80
50	7	103	-	30	90	0.00
60	18	-	6 300	-	-	0.00

Note: Different assumptions apply to females who have elected to retire at age 55 (R55 members)

(iii) SSS Commutation - the proportion of SSS members assumed to commute their pension to a lump sum in any one year.

Age Later of commencement or age 55	Proportion of pension commuted	
	Retirement	Breakdown
	.15	.20
	Widow	Widower
55	.2500	.2500
65	.5380	.5800
75	.4825	.5160
85	.3928	.3728

(iv) SSS Pensioner Mortality - assumed mortality rates (in 2006-2007) for SSS pensioners (separately for normal retirement/spouses and invalidity)

Age	Retirement pensioners and spouses and Widows		Invalidity pensioners	
	Male	Females	Male	Females
55	0.0025	0.0014	0.0081	0.0066
65	0.0070	0.0055	0.0112	0.0125
75	0.0194	0.0157	0.0505	0.0314
85	0.0945	0.0634	0.1134	0.1268

(v) SSS Pensioner Mortality Improvements - per annum assumed rates of mortality improvement for SSS pensioners

Age	Improvement rates (for years post 2006)	
	Male	Females
55	0.0152	0.0113
65	0.0101	0.0065
75	0.0087	0.0068
85	0.0052	0.0080

Notes to the Financial Statements

For the year ended 30 June 2009

Historical information

	SASS Financial Year to 30 June 2008 A\$	SANCS Financial Year to 30 June 2008 A\$	SSS Financial Year to 30 June 2008 A\$	TOTAL Financial Year to 30 June 2008 A\$
Present value of defined benefit obligation	37 425 521	3 812 045	0	41 237 566
Fair value of Fund assets	(39 042 574)	(4 277 975)	0	(43 320 549)
(Surplus)/Deficit in Fund	(1 617 053)	(465 930)	0	(2 082 983)
Experience adjustments – Fund liabilities	(1 629 328)	(15 493)	0	(1 644 821)
Experience adjustments – Fund assets	5 422 540	641 672	0	6 064 212

Expected contributions

	SASS Financial Year to 30 June 2008 A\$	SANCS Financial Year to 30 June 2008 A\$	SSS Financial Year to 30 June 2008 A\$	TOTAL Financial Year to 30 June 2008 A\$
Expected employer contributions to be paid in the next reporting period	0	0	0	0

Funding Arrangements for Employer Contributions

(a) Surplus/deficit

The following is a summary of the 30 June 2008 financial position of the Fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans":

	SASS 30-Jun-08 A\$	SANCS 30-Jun-08 A\$	SSS 30-Jun-08 A\$	TOTAL 30-Jun-08 A\$
Accrued benefits	37 334 009	3 826 933	0	41 160 942
Net market value of Fund assets	(39 042 574)	(4 277 975)	0	(43 320 548)
Net (surplus)/deficit	(1 708 565)	(451 042)	0	(2 159 606)

(b) Contribution recommendations

Recommended contribution rates for the entity are:

SASS	SANCS	SSS
multiple of member contributions	% member salary	multiple of member contributions
0.00	0.00	0.00

(c) Funding method

The method used to determine the employer contribution recommendations in the 2006 triennial actuarial review was the *Aggregate Funding method*. The method adopted affects the timing of the cost to the employer.

Under the *Aggregate Funding method*, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

(d) Economic assumptions

The economic assumptions adopted for the 2008 actuarial review of the Fund are:

Weighted-Average Assumptions	
Expected rate of return on Fund assets backing current pension liabilities	7.7% pa
Expected rate of return on Fund assets backing other liabilities	7.0% pa
Expected salary increase rate	4.0% pa
Expected rate of CPI increase	2.5% pa

Notes to the Financial Statements

For the year ended 30 June 2009

Nature of Asset/Liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of Fund assets and the defined benefit obligation.

5. Provisions

	2009 \$ '000	2008 \$ '000
Current Liabilities		
Accrued Wages	875	896
Payroll Tax	215	303
Leave Entitlements	11 535	10 481
FBT	13	17
Redundancy	618	-
Total Current Liabilities	13 256	11 697
Non-Current Liabilities		
Leave Entitlements	160	120
Total Non-Current Liabilities	160	120
Total Provisions	13 416	11 817

All personnel administration costs and related audit fees are met by the parent entity, Forests NSW.

6. Related Party Transactions

(i) Income statement - Supply of Personnel Services

	2009 \$ '000	2008 \$ '000
Supply of Personnel Services to Forestry Commission of NSW	35 016	29 389
Total	35 016	29 389

(ii) Balance Sheet - Current assets

	2009 \$ '000	2008 \$ '000
Forestry Commission of NSW for defined benefits superannuation	3 649	-
Forestry Commission of NSW for employee entitlements	13 416	11 817
Total	17 065	11 817

(iii) Balance Sheet - Current liabilities

	2009 \$ '000	2008 \$ '000
Forestry Commission of NSW for defined benefits superannuation	-	2 083
Total	-	2 083

7. Subsequent Events

On 11 June 2009 the Premier announced the creation of 13 new 'super' departments. The announcement foreshadowed that the NSW DPI, including Forests NSW, will become part of the new Department of Industry and Investment NSW. Effective from 27 July 2009 Forests NSW is a division of Industry & Investment NSW. This has no effect on the operation of Forests NSW as a public trading enterprise.

End of Audited Financial Statements

STATEMENT BY COMMISSIONER

(as Corporation Sole Under Section 7 (1) of the Forestry Act 1916)

Pursuant to the Public Finance and Audit Act, 1983, the statements are signed and attested in the following terms:

In my opinion, the accompanying financial statements present a true and fair view of the financial position of the Forestry Commission Division as at 30 June 2009.

The financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act, 1983, and accompanying regulations, and the Treasurer's Directions.

I am not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Richard Sheldrake

Commissioner for the Forestry Commission of New South Wales
Dated this 27th day of October, 2009



INDEPENDENT AUDITOR'S REPORT

Forestry Commission Division

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Forestry Commission Division (the Division), which comprises the balance sheet as at 30 June 2009, the income statement, statement of recognised income and expense and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Division as at 30 June 2009, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the Public Finance and Audit Act 1983 (the PF&A Act) and the Public Finance and Audit Regulation 2005.

My opinion should be read in conjunction with the rest of this report.

The Director-General's Responsibility for the Financial Report

The Director-General is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. 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.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit 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 whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Division's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Director-General, 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.

My opinion does not provide assurance:

- about the future viability of the Division,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act 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 public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

Peter Barnes

Director, Financial Audit Services
27 October 2009
SYDNEY

Statutory information

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Chief Executive's performance

Name: Nick Roberts
 Position & Level: Chief Executive Forests NSW
 SES Level 6
 Remuneration: \$319 050
 Period in Position: 1 July 2008 to 30 June 2009

Mr Roberts is accountable to me for performing all the functions of the Chief Executive Officer under the *Forestry Act 1916* and for implementing government policy.

I am satisfied that Mr Roberts has met the performance criteria established for the position. Key tasks have been undertaken to achieve operational requirements and leadership has been provided to deliver outcomes consistent with government policy.

A comprehensive list of achievements over the last 12 months is included in the Annual Report of NSW DPI and on page 9 of this report.



Richard Sheldrake

Director-General
 NSW Department of Primary Industries
 Commissioner for Forests

Code of Conduct

Forests NSW adopted the NSW DPI Code of Conduct from May 2006. The Code of Conduct was published in Forests NSW 2005-06 Annual Report.

The Code of Conduct outlines the public sector values of integrity, diligence and accountability and provides a minimum standard of behaviour expected of public employees.

Committees (Internal)

Forests NSW has a number of key internal committees to set strategic directions, and to facilitate and monitor policies, performance and operations. The Committees are:

Senior Management Team

Nick Roberts (Chair) BSc (Forestry)(Hons), MSc (Forestry)
 Dean Anderson BSc (Forestry)
 Ian Brown BSc (Forestry)
 Ross Dickson B.Ag.Sc (Hons), MSc (Plant Science), PhD (Forestry Science)
 Della Farthing Graduate Certificate of Management
 Sean Hooper CA
 Erle Robinson BSc (Forestry), MPP (Masters Degree Public Policy)
 Rahmat Khaiami (Secretary) BSc, MSc

Expenditure Review Committee

Sean Hooper
 Dean Anderson
 Regional Manager (on annual rotation)
 Director (of relevant Branch proposing expenditure)

IT and systems development

Sean Hooper (Chair)
 Ian Cooper
 Ross Dickson
 Jason Molkentin
 Andy Stirling
 David Cromarty

Audit and Risk Management functions were combined with NSW DPI. Forests NSW Chief Executive, Nick Roberts is a member of the NSW DPI Audit and Risk Management Committee.

Consultants

\$30 000 or more		
GHD	Preparation of Riverina Environmental Assessment	1 130 277.51
Ecosurveys Pty Ltd	Pre-harvest surveys	58 225.00
Sinclair Knight Merz	Environmental	53 200.00
KPMG	Accountancy advice	78 169.50
The Human Dimension	Leadership training	60 443.74
University of Melbourne	Environmental	40 000.00
		\$1 420 315.75
\$30 000 or less		
During the year there were 31 consultancies of less than \$30 000		
Engineering		5 280.00
Environmental		78 271.65
Management services		49 267.00
Property valuation		17 863.94
Human resources/ recruitment		22 179.99
Financial accounting		21 052.50
		\$193 915.08
Total		\$1 614 230.70

Credit card certification

Subject to meeting Forests NSW requirements, eligible staff are issued with corporate credit cards to facilitate travel, accommodation and limited purchases.

Forests NSW monitors use of these cards on a monthly basis. Business Service Centres processes all payments and the Chief Executive Officer or relevant senior manager approves all expenses associated with card use.

Credit card use in Forests NSW has been in accordance with the Premier's Memoranda and Treasurer's Directions.

Customer and community liaison

As a commercial operator, Forests NSW aims to provide a level of service that will generate ongoing business with current and future customers while taking into consideration community expectations and concerns.

Individuals, customers, special interest and community groups may make representations on policy and other issues at any time. Comment is specifically invited on the provision of forest management plans and may be invited from time to time on specific issues, such as policy development or recreation use in State forests.

Forests NSW has in place a Good Neighbour Policy which can be found on our website. This outlines our commitment to developing and maintaining good relationships with our neighbours.

Forest operations and the public's use of the forests sometimes lead to complaints by some stakeholders. Forests NSW has received representations from the community surrounding neighbour, environmental and customer issues and concerns. These are detailed in Indicator 2 on page 36.

If a customer or member of the public is not satisfied with the service we provide or has a complaint about forest operations, the issue should be addressed to the local regional office. Office locations can be found on the inside back cover of this report.

Forests NSW adopted NSW DPI policy and procedure for handling customer service complaints that cannot be resolved through normal complaint handling processes with frontline staff.

Information on complaint handling is available on the NSW DPI website.

Equal Employment Opportunity

Forests NSW values equity and diversity and believes that the principles of a fair go and Equal Employment Opportunity must be embedded in the development and implementation of all policies and procedures.

Through these policies and practices Forests NSW implements the following principles:

- Fair practices in the workplace
- Management decisions without bias
- Recognition and respect for social/cultural background of staff and clients
- Staff training and development linked to both employee and business needs
- A workplace free of harassment and discrimination
- Access to grievance resolution processes.

Women's Employment Strategy

A Women's Employment Strategy was launched by NSW DPI in 2006. Forests NSW is represented on the Women's Consultative Group which developed an Action Plan for implementation across the Department. Forests NSW has developed targets against identified actions and has been working throughout 2008-09 towards meeting these targets.

One of the priority aims for Forests NSW in support of the strategy is ensuring that the potential of NSW DPI women is realised and that they are recognised as key contributors in the workplace. Demonstrating this support, 6 women participated in the Introduction to Management Course and 15 women participated in the Leadership Course in 2008-09. These courses are part of Forests NSW training program.

Aboriginal Employment Strategy

Forests NSW further developed its Aboriginal Employment Strategy throughout 2008-09. Identifying and recruiting to Aboriginal positions within the organisation, together with funded cadetships and traineeships for Aboriginal people, has taken priority. Initiatives taken throughout the year to recruit to these positions include participation in Aboriginal Employment Networks, Indigenous Employment Expos and Career Fairs together with targeted recruitment using media resources such as the *Koori Mail*.

Ethnic Affairs Priority Statement

Forests NSW is committed to the four principles of cultural diversity proclaimed in the New South Wales Principles of Multiculturalism. Forests NSW has set out objectives and actions for the Ethnic Affairs Priority Statement (EAPS) and the EAPS and Equity Program Statements.

To implement EAPS Statement, Forests NSW will:

- respect the diversity of its employees, clients and the community in developing and implementing policies and practices;
- make decisions without bias;

Table 1. Trends in representation of EEO groups in percentage

	Benchmark or target	2006	2007	2008	2009
Women	50%	19%	18%	17%	17%
Aboriginal People & Torres Strait Islanders	2%	6.5%	7.5%	7.6%	7.8%
People whose language first spoken as a child was not English	20%	3%	2%	3%	2%
People with a disability	12%	15%	14%	15%	16%
People with a disability requiring work-related adjustment	7%	-	-	-	-

Table 2. Trends in the distribution of EEO target groups

	Benchmark or target	2006	2007	2008	2009
Women	100	100	103	110	111
Aboriginal People & Torres Strait Islanders	100	71	71	68	71
People whose language first spoken as a child was not English	100	105	132	125	n/a
People with a disability	100	82	84	79	78
People with a disability requiring work-related adjustment	100	-	-	-	-

This statistical data is based on the Workforce Profile Report and consists of a regular voluntary collection of anonymous data on the characteristics of NSW public sector employment and includes data on job characteristics (such as employment category, remuneration and leave); individual characteristics (such as gender and age) and the change (or movement) in these characteristics.

- ensure, as the need arises, availability of interpreters or information in languages other than English;
- explore avenues to identify the cultural demographics of the communities in which it operates;
- promote EAPS to employees by including associated literature/ information in job information kits, at initial induction and training.

Free access is available to all State forests (unless closed for harvesting operations, extreme weather conditions or special events). Wherever possible, clients' special needs are addressed professionally, expeditiously and in a manner appropriate to those needs.

As a commitment to providing better access to information, Forests NSW website was substantially updated with better quality information and upgraded search facilities.

Financial information

Liability management performance

Clause 13(1) of the Annual Reports (Statutory Bodies) Regulation 1995 is not applicable to Forests NSW as the level of debt servicing costs as at 30 June 2009 is below the limit determined by the Treasurer.

Investment management performance

Forests NSW received interest on cash investments in 2008-09 of \$1 080 789 (in 2007-08 the amount was \$1 165 749). An amount of \$777 478 (2007-08: \$375 969) was received from Treasury Corporation on amounts lodged on their 24-hour call facility. An amount of \$303 311 (2007-08: \$789 780) was received from the Commonwealth Bank of Australia on amounts held in our cheque account.

Payment of accounts

The schedules below show aged analysis of accounts payable and payment performance for each quarter of 2008-09.

Forests NSW has in place financial procedures which ensure that accounts are paid within the statutory requirements.

No interest has been paid under Section 15 of the Public Finance and Audit Regulation 2005.

Subsidiary companies

Forests NSW did not control any entity of the kind referred to in Section 39(1A) of the *Public Finance and Audit Act, 1983* as at 30 June 2009.

Under Schedule 3 of the *Public Sector Employment Management Act*, Forests NSW administers and has dominant control of the Forestry Commission Division.

Grants to non-government community organisations

Forests NSW did not make any grants to non-Government community organisations during 2008-09.

Freedom of Information

Forests NSW satisfied the requirements of the Freedom of Information (FOI) Act in 2008-09 in that a Summary of Affairs was published in the New South Wales Government Gazette (six monthly basis) and an annual Statement of Affairs was available to members of the public in our offices throughout the State.

The number of applications received in 2008-09 (8) was eleven less than in the previous year. Three applications were brought forward. Eight applications were granted in full. No applications were carried forward.

One internal review request was received which upheld the original determination.

Total time devoted to processing FOI applications was at least 50 hours. Fees received totalled \$1 200. There were two requests for reduction of fees, which were granted.

Aged analysis					
Quarter	Current (i.e. within due date)	Less than 30 days overdue	Between 30 and 60 days overdue	Between 60 and 90 days overdue	More than 90 days overdue
September 08	64 424 796	14 074 490	986 444	420 523	1 488 982
December 08	40 182 421	11 308 736	865 647	121 881	243 109
March 09	41 093 207	7 318 467	1 977 776	673 387	539 572
June 09	24 552 559	12 733 059	394 302	149 670	699 891

Accounts paid on time				
Quarter	Target %	Actual %	Actual \$	Total amount paid \$
September 08	90	90.70	78 499 286	81 395 234
December 08	90	92.11	51 491 157	52 721 794
March 09	90	92.61	48 411 673	51 602 409
June 09	90	91.08	37 285 618	38 529 481

	Personal		Other		Total	
	07-08	08-09	07-08	08-09	07-08	08-09
FOI Requests	1	-	18	8	19	8
Brought forward	-	-	-	3		3
Completed	1	-	12	11	13	11
Transferred	-	-	1	-	1	-
Withdrawn	-	-	-	1		1
Unfinished	-	-	3	-	3	-
No response from applicant	-	-	2	1	2	1
Granted in full	1	-	10	8	11	8
Granted in part	-	-	2	-	2	-
No records found	-	-	-	1	-	1
Refused	-	-	-	-	-	-
Deferred	-	-	-	-	-	-
Requiring formal consultation	-	-	4	-	4	-
Discounts allowed	1	-	10	1	11	1
Completed in 0-21 days	1	-	9	3	10	3
22-35 days	-	-	2	2	2	2
Over 35 days	-	-	2	4	2	4
Processing Hours		-				
0-10 hours	1	-	10	8	11	8
10-20 hours	-	-	3	1	3	1
Over 20 hours	-	-	-	-	-	-
Internal Reviews requested	-	-	6	1	6	1
Internal Reviews finalised	-	-	6	1	6	1
No. of Ombudsman's Reviews	-	-	-	-	-	-

Heritage management

Forests NSW is undertaking a review of its Section 170 Register which records non-Aboriginal cultural heritage sites, as areas of State forests have been transferred to National parks. The review will be finalised by December 2009.

Forests NSW contributes information on Aboriginal cultural heritage sites and artefacts to the Aboriginal Heritage Information Management System (AHIMS) through DECC.

Indicator 10 on page 40 in Part 1 provides more information on heritage management within State forests.

Human resources

As at 30 June 2009, Forests NSW employed a total of 888 employees. This figure comprises 446 public servant employees involved in management, administration and technical roles, and 442 Forestry Commission Division employees primarily engaged in timber marketing, mechanical trades, road construction and maintenance, tree planting and pruning, nursery work, forest conservation and fire protection.

Employee numbers – five year trend			
Year ended 30 June	Public servants	Forestry Commission Division employees	Total
2005	547	485	1 039
2006	538	531	1 069
2007	539	506	1 045
2008	470	473	943
2009	446	442	888

Structural adjustment

Forests NSW has continued its structural adjustment which commenced in 2006 after negotiations with the Public Service Association (PSA) regarding the restructure of the organisation to improve business support services and efficiencies. The restructure of the public servant workforce progressed through its final stages in 2008-09, under the auspices of the Memorandum of Understanding drafted between the PSA and Forests NSW.

Salary and wage movement

In July 2008 and December 2008 both public servants and Forestry Commission Division employees (staff covered by the Crown Employees Fieldwork and Other Staff Award) were granted a 4 percent salary increase based on established performance/productivity improvements.

During 2008-09 Forests NSW continued extensive negotiations with the Australian Workers Union (AWU) and Australian Manufacturers Workers' Union (AMWU) to negotiate a new Award for Forestry Commission Division employees. The new Award which has a one-year term was finalised and commenced operation on 23 December 2008.

Industrial Relations policies and practices continued to be determined by the Public Employment Office of the NSW Department of Premier and Cabinet and/or the NSW DPI.

Training and organisational development

This year saw the consolidation of organisational development and training within Forests NSW. There was strong participation across the regions in safety and technical as well as management and leadership development programs. The strength of the safety and technical training programs was demonstrated through the successful outcome of the WorkCover audit conducted in Macquarie Region in February 2009.

The Introduction to Management program piloted in 2007-08 has met a business need and a number of courses have been held in 2008-09,

catering for 45 managers. Safety Leadership continues to be offered as part of the Introduction to Management program.

The establishment of talent management processes has supported the identification of participants for the Leadership Program, with 16 participants selected by the CEO and Directors to participate in the 12 month program. The Leadership program has been expanded to incorporate additional elements including a project management assignment as well as a Coach Approach to Leadership and Management and Commercial Acumen. The inclusion in 2008-09 of

Commercial Acumen in both the Introduction to Management and Leadership Programs has been well received and is designed to support the development of a commercial focus within Forests NSW.

Investment in leadership and management development programs will provide Forests NSW with strong and capable future leaders and will ensure the future success of the organisation.

A number of corporate training courses were conducted in the areas of safety, operations, business and fire.

Number of total staff by salary level									
Level	Number								
	Total staff	Respondents	Men	Women	Aboriginal people & Torres Strait Islanders	People from racial, ethnic, ethno-religious minority groups	People whose language first spoken as a child was not English	People with a disability	People with a disability requiring work-related adjustment
< \$36 677	14	3	8	6	0	0	0	1	0
\$36 677–\$48 172	257	58	239	18	7	4	0	13	0
\$48 173–\$53 854	135	43	125	10	7	1	0	11	0
\$53 855–\$68 147	143	66	91	52	6	5	1	7	0
\$68 148–\$88 127	165	82	120	45	0	14	5	8	0
\$88 128–\$110 160	85	48	74	11	0	10	4	3	0
> \$110 160 (non SES)	44	31	42	2	0	0	0	1	0
> \$110 160 (SES)		0	0	0	0	0	0	0	0
Total	843	331	699	144	20	34	10	44	

Percent of total staff by employment basis									
Subgroup as percentage of total staff in each category. Subgroup as estimated percentage of total staff in each employment category									
Employment basis	Total staff (number)	Respondents	Men	Women	Aboriginal people & Torres Strait Islanders	People from racial, ethnic, ethno-religious minority groups	People whose language first Spoken as a child was not English	People with a disability	People with a disability requiring work-related adjustment
Permanent full-time	810	40%	85%	15%	6.3%	10%	3%	13%	
Permanent part-time	23	39%	4%	96%		22%		11%	
Temporary full-time									
Temporary part-time									
Contract–SES									
Contract–non SES									
Training positions	10	20%	100%						
Retained staff									
Casual	93	4%	60%	40%					
Total	936	36%	81%	19%	5.4%	9%	3%	12%	
Estimate range (95% confidence level)					3.6% to 7.2%	6.9% to 11.5%	1.4% to 4.0%	9.3% to 14.5%	

This statistical data is based on the Workforce Profile Report and consists of a regular voluntary collection of anonymous data on the characteristics of NSW public sector employment and includes data on job characteristics (such as employment category, remuneration and leave); individual characteristics (such as gender and age) and the change (or movement) in these characteristics.

Numbers and levels of SES staff as at June 2009									
SES level	1	2	3	4	5	6	7	8	Total
Total	0	0	5	0	0	1	0	0	6

Numbers and levels of female SES staff as at June 2009									
SES level	1	2	3	4	5	6	7	8	Total
Total	0	0	0	0	0	0	0	0	0

Information technology

Forests NSW network infrastructure and online service upgrades included:

- Introduction of new online map sales. These were completed as part of a review and upgrade of Forests NSW presence on the NSW DPI website. Other major changes on the website included an expanded recreation section with an interactive map of NSW. The online firewood system was also established, allowing the public to generate and pay for their firewood permits via a link on the NSW DPI website.
- A direct network link has been established between the West Pennant Hills facility and the NSW DPI Head Office in Orange. The link provides reliable and quick access for staff to both Forests NSW and NSW DPI intranet websites. This has replaced a temporary and less reliable link which was routed through Maitland office.

Business systems

Forests NSW has continued to consolidate shared services to one location. To support this process Forests NSW has maintained a focus on improving and developing business systems. System improvements include:

- Continued upgrading of the sales system available to our customers and contractors through our web portal. This allows Forests NSW customers and contractors to access and download more information directly from the system.
- Rollout of the electronic record management system was finalised with all office locations now able to record documentation into the system.
- Further development of the FLEETNET system to integrate to fuel card or bulk fuel data, into Forests NSW Workshop and Finance systems.
- The creation of Forests NSW Plant Tender online database with links to the Contract Management System allowing Forests NSW to consolidate the management of tenders.
- Introduced an integrated Budget module within our Finance system, with a standardised view for both budgeting and forecasting process.
- The development of an online expense management system allowing for Forests NSW staff to process their expenses including credit card expenditure and allowances in one system, with processes linking the output to our Finance and Human Resources systems. This is scheduled for release in late 2009.

Insurance

Forests NSW continued to maintain extensive insurance coverage. These policies are sourced from the local and global insurance markets at competitive rates. Presently Forests NSW has in place many specific policies with relevant underwriters substantially covering

various risk exposures, including General Liability, Motor Vehicle, Industrial Special Risks, Aircraft, Personal Accident, Burglary and Marine Cargo.

As reported in Forests NSW 2006-07 Annual Report, one claim of significance was received relating to losses suffered as result of a fire allegedly escaping from a State forest in December 2006 and damaging a neighbouring plantation. Forests NSW, through its insurers, has been defending this claim during 2008-09.

In addition to the externally provided insurable risk coverage, Forests NSW is licensed by NSW WorkCover to be self insured for Workers Compensation purposes. As required, Forests NSW also holds an external policy providing coverage in the event abnormal claims are incurred. Forests NSW continues to enhance its internal management systems and planning processes which are contributing toward further improving Forests NSW performance in forest operations, safety and business services.

Internal controls

Audit and Risk Management functions are undertaken for Forests NSW by its Internal Auditor, RSM Bird Cameron. RSM Bird Cameron conducted internal audits and reviews into Forests NSW systems, processes and activities to assess the adequacy of internal controls. To ensure maximum independence, RSM Bird Cameron reports to the NSW DPI Audit and Risk Management Committee and has access to the Chief Executive Officer as required.

The audits and reviews conducted during the year covered financial management, information technology and operational functions. Protected disclosure functions are now managed by NSW DPI.

Overall, internal controls over financial and related operations during the year were found to be adequate.

Legislation and legal Issues

The Forestry Act 1916 was amended under the Statute Law Revision Program of 2008 to increase the maximum term for a forest materials licence from 5 years to 20 years. The Forestry Regulation 2004 was amended to increase the fees for licences and permits based on CPI and Average Wage Movements.

Forests NSW recovered a sum of \$230 000 by way of professional costs having successfully defended a personal injury litigation case.

Major works in progress

There were no major works in progress or undertaken during 2008-09. Capital commitments included:

Establishment of biological assets	\$203 000
Others	\$4 908 000
Total	\$5 111 000

Overseas visits

Name/Position	City/Country/Date	Purpose
Mr Dean Kearney Team Leader – Resources Land Management & Forestry Services Division	USA 13/7/08–21/8/08	Part of deployment to assist firefighting effort in USA. Travel funded by USA.
Mr Duncan Watt Planning Manager Hume Region Planted Forests Operations	USA 13/7/08–21/8/08	Part of deployment to assist firefighting effort in USA. Travel funded by USA.
Mr Michael Henson Tree Improvement Manager Land Management & Forestry Services Division	Christchurch, Amberly, Rotorua New Zealand 20-25/7/08	Review of Radiata Pine Breeding Company (RPBC), meeting at Canterbury University, seed supply discussions with Proseed. Funded by RPBC & Forests NSW.
	Rotorua, Christchurch New Zealand 8–12/9/08	Complete contract to develop communication strategy for the Radiata Pine Breeding Consortium. Funded by RPBC.
	Nelson New Zealand 18–21/11/08	Attend Radiata Pine Breeding Company Technical Committee meeting. Internally funded by Forests NSW.
	Christchurch New Zealand 11–14/2/09	Attend and present paper on eucalypts at workshop at Canterbury University. Funded by university.
Mr Geoff Heagney Manager Tree Seed Centre Land Management & Forestry Services Division	Christchurch, Amberly, Rotorua, Kaingaroa, New Zealand 20–25/7/08	Seed supply discussions with Proseed. Training from Proseed & Scion on collection, extraction and management of seed. Internally funded by Forests NSW.
Mr Nick Roberts Chief Executive Officer	Rotorua New Zealand 21–23/7/08	Presentation of a paper at the Forest Industry Strategic Summit 2008. Internally funded by Forests NSW.
	Inverness Scotland 4–5/8/08	Visit Forestry Commission Scotland re bilateral agreement for exchange of staff. Internally funded by Forests NSW.
Mr Erle Robinson Director, Native Forest Operations	Rotorua New Zealand 21–23/7/08	Attend the Forest Industry Strategic Summit 2008. Internally funded by Forests NSW.
Mr Bob Orman Director Planted Forest Operations	Rotorua New Zealand 4–7/8/08	Attend Radiata Pine Breeding Company Board and Committee meetings. Attend Proseed meeting. Internally funded by Forests NSW.
Mr Kris Gounder Manager, Regulation & Compliance Land Management & Forestry Services Division	Moscow Russia 4–15/11/08	Attend the 19th Montreal Process Working Group meeting. Funded by Forestry & Forests Products Committee.
Dr Ashley Webb Water Quality Monitoring Manager Land Management & Forestry Services Division	Christchurch New Zealand 30/11/08–6/12/08	Presentation of a research paper at the International Association of Hydrological Sciences symposium on Sediment Dynamics in Changing Environments. Internally funded by Forests NSW.
Mr Ross Dickson Director Land Management & Forestry Services Division	Rotorua New Zealand 14–15/4/09	Attend Radiata Pine Breeding Company Board meeting. Internally funded by Forests NSW.
Dr Dane Thomas Research Scientist Tree Improvement Land Management & Forestry Services Division	Hanoi, Dongmen Nanning, Zhanjiang Changsha, Beijing Vietnam, China 11–23/05/09	ACIAR project aimed at improving the value chain for plantation grown eucalypt sawn wood in China, Vietnam and Australia. Travel funded by ACIAR
Dr Geoff Smith Research Scientist Tree Improvement Land Management & Forestry Services Division	Hanoi, Dongmen Nanning, Zhanjiang Changsha, Beijing Vietnam, China 11–23/05/09	ACIAR project aimed at improving the value chain for plantation grown eucalypt sawn wood in China, Vietnam and Australia. Travel funded by ACIAR

Privacy management

Forests NSW respects the privacy of our employees and members of the public who use our services. As a public trading enterprise, Forests NSW must comply with the requirements of the *Privacy and Personal Information Protection Act 1998* (PPIPA) and the *Health Records and Information Privacy Act 2002*.

Forests NSW adopted the Privacy Management Plan for NSW DPI which was developed during 2004-05.

No reviews were requested under Part 53 of PPIPA during 2008-09.

Property disposals

State forests lands totalling 7326 ha were revoked and transferred as additions to National parks, nature reserves or special conservation areas.

Five properties were disposed of with a total value of \$2 393 000.

These properties were surplus assets and not required for timber production purposes.

All documents relating to property disposals are available for access under the *Freedom of Information Act 1989*.

Publications and website

Website

Forests NSW web pages are part of the NSW DPI website at www.dpi.nsw.gov.au/forests

During the year NSW DPI and Forests NSW reviewed the old web content, developed a new structure for Forests NSW presence on the website and migrated content across. Major changes included an expanded recreation section with an interactive map of NSW and an 'I want to go' activity search feature. Each forest with recreation facilities is included on the site along with a matrix detailing facilities and activities available.

More work is planned on this section in 2009-10 to refine these features and ensure they are user friendly and meet Forests NSW operational needs.

New online services were initiated in 2008-09 including online map sales and online firewood permit applications.

Bush Telegraph magazine

The *Bush Telegraph* is a free forestry magazine distributed to stakeholders and interested parties across NSW, Australia and internationally. This publication was reviewed in 2007-08 and its format changed in 2009 from quarterly to a biannual magazine with a March and September issue.

You can receive a copy of the magazine by completing the online registration form at www.dpi.nsw.gov.au/forests or fax your postal or email details to 02 9871 6941. Please specify if you would like the magazine in hard copy or electronic format.

Recreation brochures and maps

A range of recreational brochures and maps continued to be available from Forests NSW including:

- General recreation in State forests brochure
- Use of recreation vehicles in State forests brochure
- Guidelines for staging an event in State forests
- Guides to activities in Cumberland State Forest in Sydney's north-western suburbs, outlining the recreation opportunities available, volunteers activity programs and also school holiday and

community activities on offer

- Recreational brochures covering various regions of NSW
- The Forests NSW Forest Map series which currently covers the Central Coast, Lower North Coast, Mid North Coast, Central West and South Coast State forests of NSW. The Best Bush Map – a handy glovebox guide for those who like to explore State forests, National parks and Crown reserves in NSW

During the year work progressed on the Far South Coast Forest Map which will be printed in 2009-10.

As of January 2009 Forest maps and the Best Bush map can be purchased online via the Forests NSW website or over the telephone from the Forests NSW Information Centre on 1300 655 687 or 02 9871 3377.

Fact sheets

A series of fact sheets know as *Primefacts* is available online and in hard copy on a variety of forest related topics. During the year a number of forests-related *Primefacts* were updated and reprinted.

Educational publications

A variety of educational materials and resources are available online.

Two new resources were produced in 2008-09 for secondary Industrial Technology students including *All About Wood*, a booklet highlighting the forested areas of NSW, the products that come from softwood and hardwood species, what wood products you can find in a house, a timeline of forest management and a poster focusing on timber species grown in NSW.

Cumberland and Strickland State Forests continue to be popular excursion destinations for teachers and students with a variety of support material available.

Promotional brochures

A brochure titled *Grow Your Career* was developed to promote careers in the forestry industry and with Forests NSW.

A flyer promoting volunteering opportunities in State forests was produced.

Various promotional items including bookmarks, postcards, a kids colouring book and temporary tattoos were produced for distribution at events and through education activities.

Display material

New pop-up banners were produced for use at conferences, exhibitions and shows. One set focuses on carbon storage in wood products and the other set of three, features key corporate communications messages.

Statistics and reporting documents

- Forests NSW Annual Report 2007-08
- Forests NSW Social, Environmental and Economic Report 2007-08
- Forests NSW Facts and Figures 2007-08

Copies of these publications are available online at www.dpi.nsw.gov.au/forests or from the Forests NSW information centre on Ph: (02) 9871 3377 or 1300 655 687

Research and development

Forests NSW research and development objectives were primarily delivered through the Forest Science Branch of the NSW DPI Science and Research, as well as units of its own Land Management and Forestry Services Division. Services are provided in three main program areas: Forest Biosecurity and Resource Assessment; Forest Biodiversity and Ecology and New Forests.

The **Forest Biosecurity and Resource Assessment** team undertakes surveillance activities and diagnostic capabilities to provide routine reports on forest health status and the detection of exotic incursions and potential outbreaks of pests and diseases of forests and timber. Research is provided into remote sensing technologies such as tree-scale resource and canopy condition assessment and development of site hazard rating models for managing predicted changes in local climatic conditions.

The **Forest Biodiversity and Ecology** team has considerable experience and expertise in the design and analysis of multi-factorial experiments, statistical modelling of species distributions and investigations of complex ecosystems. The program maintains several long-term (> 25 years), operational-scale research experiments dealing with the responses of native fauna and flora to management practices, including the effects of intensive logging and fuel-reduction burning, and the establishment of eucalypt plantations on previously cleared farmland.

The **New Forests** team delivers research and development of environmental services of forests in the areas of climate change mitigation and land rehabilitation. It develops methods to monitor and predict environmental services, utilises these methods to establish the potential environmental benefits of planted forests, and the best management practices to optimise environmental benefits and commercial benefits in low rainfall areas. It also examines the impacts of climate change on forests, and contributes to the development of climate change policy, particularly in relation to bioenergy and greenhouse accounting for emissions trading.

More information on research activities can be found at: www.dpi.nsw.gov.au/research/forestry

Response to issues raised by Auditor-General

The audit of Forests NSW financial reports for the year ended 30 June 2009 has resulted in a qualified (modified opinion) Independent Audit report by the Auditor-General. Forests NSW response to issues raised in the audit are detailed below.

The qualification of Forests NSW financial report

The basis for qualification was tax deductibility of \$767 million of plantation establishment costs in relation to plantations established prior to 30 June 1994. This issue is currently being considered by NSW Treasury who will provide a formal position in due course.

Change in valuation methodology to discounted cash flow valuation

Issues identified in the change in valuation methodology included land rentals and other arithmetic errors. The correction of these mistakes increased the biological assets by \$117 million.

Forests NSW utilised widely applied Forest Valuation Standards in recognising the cost of using land to grow its softwood plantations by including notional land rental. Forests NSW was advised by the Valuer-General on the appropriate value of the valuation inputs. However after further discussions with the Audit Office it was determined that the methodology used to value the forest should exclude land rentals.

During the development of the valuation process by Forests NSW a number of calculation errors were encountered. All, except one, were identified by Forests NSW staff and corrected during the course of the audit.

Provision of documentation on whether there are impairment indicators for Forests NSW land assets

In 2008-09 the global financial crisis required most agencies, including Forests NSW to consider impairment of land. Upon notification by the

auditors, Forests NSW obtained documentation from its valuer to show that impairment of land had been adequately considered during the year.

Forests NSW has advised the Audit Office that the issue of carrying value of land will be addressed during the 2010 financial year.

Inconsistencies in the financial statements provided to the Audit Office

While it is acknowledged that some work papers did not agree to the financial statements, Forests NSW worked diligently to resolve complex accounting issues raised during the course of the audit, some of which were only resolved just prior to the signing of the accounts.

Risk management

External – significant decline in housing and construction markets

Assessment: medium, declining probability / high impact

The main influence on demand for Forests NSW hardwood and softwood sawlogs is activity in the residential building market, which includes both new dwellings, and alterations and additions. Activity in these markets tends to follow distinct cycles of 4–5 years between peaks and troughs.

2008-09 was a turbulent year for residential building construction. While the first half of 2008 was dominated by increasing interest rates, accelerating building costs and capacity constraints, the second half was about severe restrictions to finance, wild economic uncertainty and government stimulus initiatives. Dwelling construction markets are now entering a period of short-to-medium-term correction as dwelling construction markets respond to the fallout from the global recession and its impact on domestic demand.

The impact of these broader economic circumstances on dwelling construction markets is for a reduction in house starts during 2008-09 of about 16 percent. The combination of lower housing interest rates and the First Home Owners Grant Boost Scheme are expected to deliver a substantial stimulus to the housing market during 2009–10 (+10 percent). Recovery will begin to emerge by the end of the 2009 calendar year in response to increasing dwelling stock deficiency (the cumulative difference between underlying demand and dwelling commencements).

External – changes in government policy

Assessment: low probability / high impact (native forests), low impact (plantations)

There are no major changes in NSW Government policy expected to impact on Forests NSW financial performance.

All transfers of areas and resources to National parks arising from the earlier assessments have been finalised.

External – environmental

Assessment: medium probability / moderate impact

Forests NSW has finalised an Environmental Impact Statement (EIS) of harvesting and roading activities in native red gum and cypress forests in south-western NSW. The EIS was placed on exhibition inviting public submissions.

It is possible that additional measures may be identified to ameliorate the impact of those activities on the environment. Should such additional measures be identified, they would be likely to impact in some way on timber availability and/or cost of production.

External – requirements of regulatory bodies

Assessment: low probability / moderate impact

The regulatory requirements accompanying Regional Forest Agreement decisions provided additional certainty for planning.

During 2008-09 Forests NSW participated in five-year reviews of progress towards the commitments of the Regional Forest Agreements and NSW Forest Agreements. This led to revision of the indicators used by Forests NSW and the National Parks and Wildlife Service to report on our social, environmental and economic performance.

The *Plantations and Reafforestation Act 1999* provides an integrated consent framework for the assessment of plantation proposals. Regulatory requirements are integrated within a single approval issued by the Department of Planning. The Code of Practice developed as a regulation to the Act, *Plantations and Reafforestation Code 2001* incorporates standards for soil and water protection, management of native vegetation, cultural heritage and threatened species.

The streamlining of consent provides added efficiencies to plantation establishment and greater incentive for plantation investment.

a) Native forests term agreement commitments

Decreases in the north coast 20-year wood supply agreement commitments were successfully renegotiated in 2004 in response to some additional government land reservation decisions. In response, customers were provided greater certainty for the remaining years of the agreements through removal of the interim resource review provisions in agreements, originally scheduled for 2006 and recommencement of the 20-year duration of the agreements.

Forests NSW has implemented strategies that aim to reduce risk of exposure and enable corrective actions, including:

- the development and publishing of regional Ecologically Sustainable Forest Management (ESFM) plans for all regions following public consultation
- improvements to inventory information (additional plots established to replace plots now in National park estate plus updates from areas harvested)
- increasing the role of plantations in log supply and supplementation of timber supply from private property sources
- monitoring studies to indicate where management action is needed as part of continuous improvement, and
- extension of log merchandising to improve flexibility in timber supply to meet allocations.

b) Softwood supply – general

Forests NSW current softwood contractual commitments (that arise under contracts currently in place and from contracts that are currently in negotiation) are equal to the predicted long-term sustainable yield from the existing Forests NSW plantation base. The majority of these contracts have options for renewal and while it is expected that commitments of similar magnitude will follow, there is the opportunity in most cases to review and adjust volume for the renewed term.

Forests NSW operates a comprehensive inventory and yield prediction system to predict future timber flows for the plantation estate. This system is the basis for determining the sustainable yield. Long-term timber allocations are made in light of the sustainable yield figures. Forests NSW ability to achieve its contracted softwood supply commitments is strengthened by its ability to deliver the timber to the customers on time and to specification. Sales have moved from a stumpage basis to a mill door basis in many areas due to Forests NSW taking the contractual responsibility for delivering the timber to its customers. Forests NSW has covered the risks of non-performance by the following actions:

- the development of internal organisational skills in delivering timber (contract management and logistics)
- tendering for the contractor capacity needed to deliver the timber volumes required
- the incorporation of flexible arrangements within the contracts to match the volatility of the timber market impacting on work allocated to contractors
- the rollout of delivered sales in all appropriate regions to realise the benefits from improved control over product flows, such as economies of scale and flexibility of delivery, and
- the continued funding of the required infrastructure (roads, bridges, safety improvement) to support the delivered sales.

External – global competitive pressures

Assessment: moderate probability / moderate impact

Changes to the ownership composition of the Australian softwood processors have the potential to reduce the flow of imports, particularly from New Zealand. Traditionally large importers of New Zealand radiata now control substantial processing capacity within the domestic market. This has reduced their propensity to target the Australian market as a destination for excess New Zealand sawn timber. Other import sources (such as Europe), however, have increased their market share and do not have the links described above and as a result will continue to target imports into Australia.

Due to lower wood density, some overseas softwood timber (New Zealand and Chile) is not ideally suited to structural end uses in the Australian market. However, other sources of imported material competing in key timber product segments, such as increased flow of European softwood structural timber, has impacted on both price and volume in the domestic market.

Overall, Forests NSW remains well positioned to retain its position in the local Australian market. The increasing volume of softwood sawlogs being processed in Australia will assist Australia's ability to compete by increasing production efficiencies and achieving economies of scale (production and logistics).

External – collapse of a major customer

Assessment: low probability / high impact (plantation softwood)

medium probability / moderate impact (native forests)

Whilst revenue collection history is good, increased exposure of cashflows arising from the progressive introduction of delivered sales has made rigorous internal procedures even more important.

Forests NSW has revised its Credit Policy and Procedures to improve consistency of customer treatment and response to delayed payment of invoices.

Softwood customers

The internationalisation of ownership in the NSW softwood industry over recent years has seemingly guaranteed that collapse of one of the major processors is unlikely. The global owners of these facilities have huge financial resources and should be able to survive the worst of the forest sector cycles.

At the next level Forests NSW through its updated credit policy and improved financial management, is vigilant in maintaining required levels of security (from partially secured, to fully secured, to pay-in-advance and utilising bank guarantees etc.) and in constant monitoring of customers' accounts, financial health and a company's creditworthiness.

As the move to delivered sales is now completed, Forests NSW exposure has increased and the above measures receive even more attention as a result.

Hardwood customers

In the hardwood sector, approximately half of Forests NSW exposure lies with one major customer where no risk is seen. This customer is a large national building products company with its hardwood timber production dominated by high value-adding activity. The other customers are small to medium sawmilling operations which, since the implementation of the Government's 1996 Forest Policy Statement, have been in the process of increasing their output of higher value-added hardwood timber products.

The hardwood sector is better insulated from the volatility in timber demand faced by softwood producers due to its lesser reliance on the residential housing construction market.

General – natural disaster

Assessment: high probability / high impact

The most serious risks to Forests NSW estate arise from fire, pests, diseases, wind and snow storms. While overall risks from fire, pests and diseases are considered relatively low, based on historical context, effective protection plans and resources are in place to protect this substantial resource as outlined below

Fire

Forests NSW Operational Branches continue to maintain high levels of planning, preparedness and suppression capacity. The forest estate is served by a fire tower network, integrated fail-safe communication systems, a lightning strike display system which pinpoints a lightning strike to within 200 metres and thermal imaging and display system. These detection systems are backed up by contracted aircraft (Forests NSW also maintains its own single helicopter), a small but strategically deployed fleet of bulldozers and the associated transport. Fire tankers and light 4WD initial attack units complete the fire defence system.

Over recent years there has been special emphasis on the employment of seasonal firefighters and the training of silvicultural contractors in firefighting techniques.

Heavy rainfall along northern coastal regions of NSW during summer months has significantly lowered the immediate potential risk of fire, however, other parts of the State remain relatively dry or in drought conditions. Forests NSW will continue with its normal fire prevention and back-burning activities.

Pests and diseases

Forests NSW utilises internationally accepted techniques for survey and detection of pests and diseases in the planted forest estate. These surveys are carried out on an annual basis and are followed by a comprehensive report, which outlines findings and recommends courses of action.

Timely thinning of plantation stands maintains plantation trees in a healthy condition, averting susceptibility to insect and pathogen attack compared with stands experiencing excessive competition or stress.

Storm damage

This is largely beyond our control and is part of the plantation business

worldwide. Thinning programs are designed to reduce susceptibility to wind-throw damage. Planted Forests Operations has demonstrated a capacity to salvage wind and storm damaged plantations quickly followed by establishment of new forest.

Flood damage

This is largely beyond our control. Extreme storm conditions with resulting flooding in the north-east coastal regions of NSW caused extensive damage to roads and limited productive harvesting capacity.

Financial – loss of liquidity

Assessment: Increasing probability / high impact

The forecast financial position is heavily reliant on attainment of established sales targets and minimum capital expenditure spending.

Throughout the year all non-essential operating expenditure has been, and will continue to be, kept under tight controls. Capital expenditure programs continue to be closely monitored to ensure that they satisfy minimum acceptable hurdle and internal rates of return. Only essential replacements and priority new projects are undertaken.

Forests NSW continues to benefit from significant cost reductions from moving to a centralised transaction handling process.

Forests NSW will continue to look at opportunities to increase returns through pricing provisions in existing wood supply agreements particularly in conjunction with expectations for eventual domestic housing market recovery based on the considerable pent-up demand in dwelling commencements, particularly in NSW.

Forests NSW also continues to look at opportunities for new revenue sources that offer the potential for increasing commercial returns, in such areas as private and plantation management services, carbon sequestration certificates, land repair and mine site rehabilitation.

Waste management

A major review of procurement is underway and has already resulted in a consolidation of products and purchasers used. This is expected to reduce costs and improved reporting will result in further identification of cost savings to be achieved.

Forests NSW will continue to buy materials with recycled content where they are cost and performance competitive, in line with the NSW Government Sustainability Policy.

Individual initiatives include:

- the use of rubber flaps across roads made from recycled pet bottles (used to prevent erosion)
- mixed containers taken to waste collection centre for recycling if yellow recycle bins are full in Central Region
- computers and monitors donated to various non-profit organisations
- road furniture reused (road signs, recycle pipes, grids, fencing material).

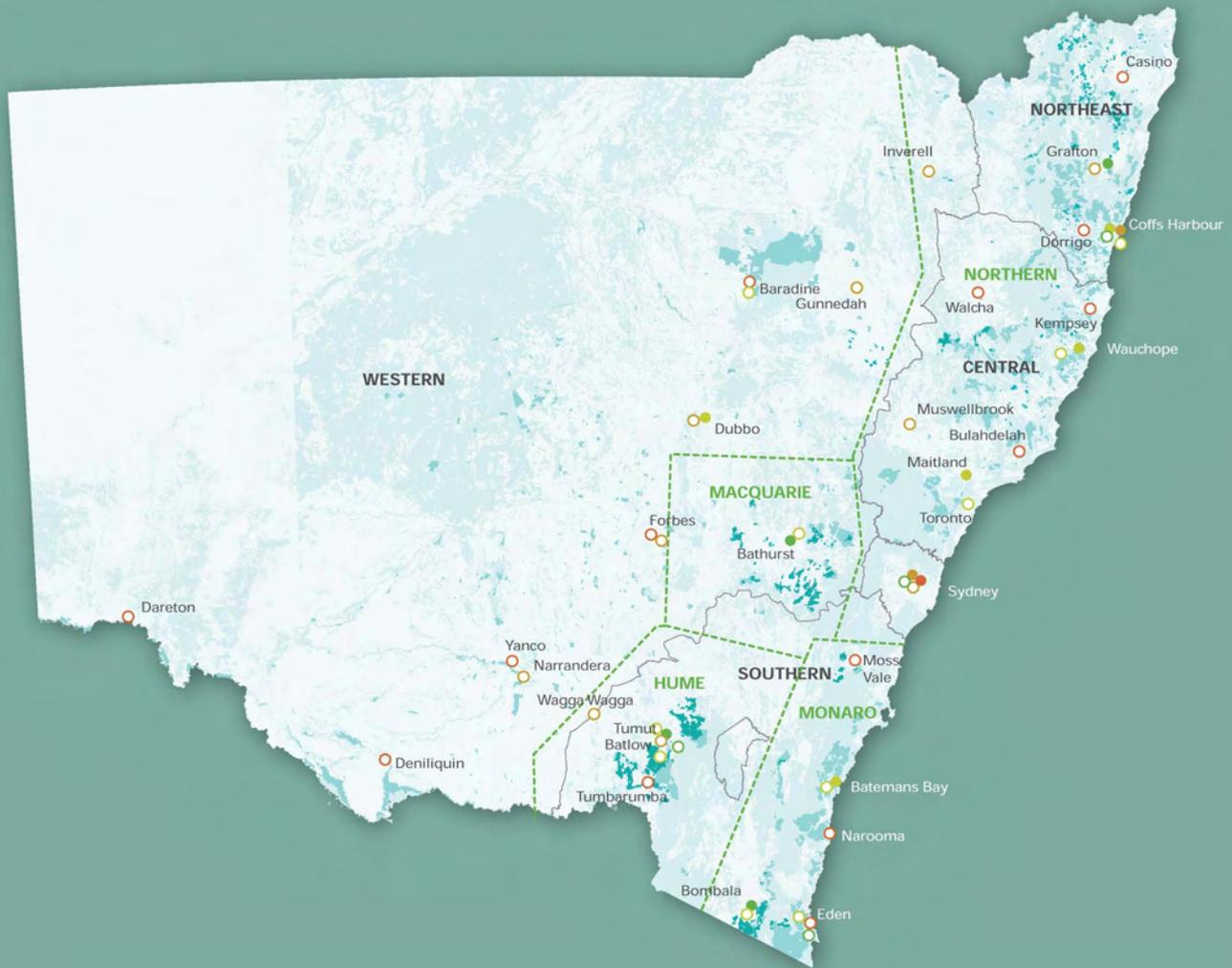
Workers compensation

Workers compensation (self-insured)	2005-06	2006-07	2007-08	2008-09
Number of claims lodged	94	103	111	73
\$ spent on claims (inc. settlements)	\$1 004 036	\$826 737	\$988 004	\$2 036 439
Number of permanent impairment claims lodged	8	6	5	16
\$ spent on permanent impairment claims	\$82 950	\$68 330	\$57 500	\$218 425
\$ spent on work injury damages settlements	\$70 569	\$0	\$0	\$495 000
Number of decline notices issued	2	3	3	10

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Forests NSW estate and business centres



Key

■ Native forest	○ Forest centre	● Corporate office	— Native forest region boundary
■ State forest native	○ Nursery	● Business service centre	- - - Planted forest region boundary
■ Hardwood plantation	○ Workshop	● Regional – native	
■ Softwood plantation	○ Research	● Regional – planted	

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Forests NSW

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Annual Report production cost: \$11 591.35 (inc. GST)

While the cost of Annual Report production has increased from last year, this year's report brings two previous produced reports together. Overall production costs for both reports have decreased and the production and design costs continue to be minimised through the use of in-house resources.

