Forestry Corporation

Forestry Corporation of NSW Annual Report 2012–13

Nurture • Protect • Prosper

Letter of compliance

31 October 2013

The Hon. Michael Bruce Baird, MP
Treasurer
Parliament House
Macquarie Street
Sydney NSW 2000

The Hon. Andrew James Constance, MP
Minister for Finance and Services
Parliament House
Macquarie Street
Sydney NSW 2000

Dear Treasurer and Minister

We are pleased to submit the Annual Report for the Forestry Corporation of NSW for the year ending 30 June 2013 for tabling in Parliament.

The report details the performance, operations and financial results of the Forestry Corporation.

The report has been prepared in accordance with the *Annual Reports (Statutory Bodies) Act 1984*, the applicable provisions of the *Public Finance and Audit Act 1983*, the *State Owned Corporations Act 1989* and the *Forestry Act 2012*.

Once the report has been tabled in Parliament, it will be available on our website *www.forestrycorporation.com.au*

Yours sincerely

James M. Millar AM
Chairman

Nick Roberts
Chief Executive Officer

Contents

Forestry Corporation of NSW

Our organisation

Vision

To be the best and safest commercial forest manager in Australasia.

Mission

To provide excellence in safety, financial performance and environmental responsibility in our forestry business.

About us

In May 2012 the NSW Government announced it would make the then Forests NSW a State Owned Corporation. This change took effect on 1 January 2013.

Our new legal name is Forestry Corporation of NSW trading as Forestry Corporation and we are the largest manager of commercial native and plantation forests in NSW.

Managing over two million hectares of forests for the economic, environmental and social benefit of the people of NSW, we adhere to the values of safety first, balancing goals, accountability, trust and innovation.

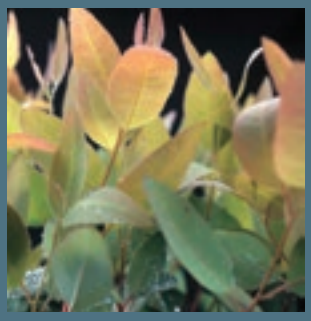
We manage:

- 230 000 hectares of fast-growing pine, producing sawlogs for conversion into essential structural lumber for the Australian housing industry and other products
- 1.8 million hectares of native forests and 35 000 hectares of hardwood plantations, producing a range of log products that are supplied to the domestic hardwood processing industry.

We are a major force in the State's timber industry, which contributes nearly $1 billion to the NSW economy annually.

Our focus is on growing and harvesting timber to meet the community's needs for hardwood and softwood products, while still providing recreational opportunities and safeguarding the forest environment for current and future generations.

Highlights 2012–13



Forestry Corporation of NSW came into being on 1 January 2013.

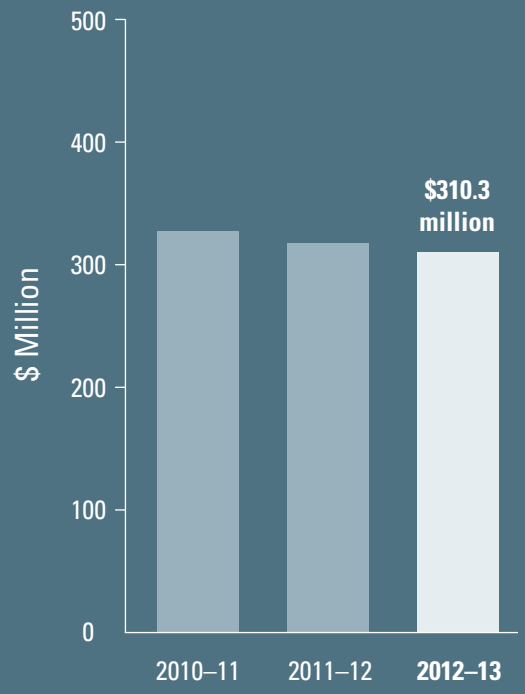
The operating profit before tax, excluding significant items, was $19 million. Operating costs were down by three per cent and overhead costs were down by 19 per cent.

AUSTRALIAN FORESTRY STANDARD

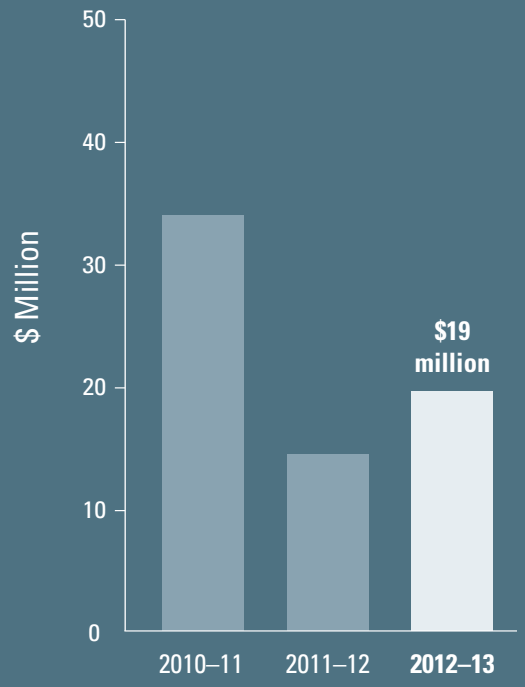
AFS/01-21-05

Certification to the Australian Forestry Standard (AS 4708:2007) and Environmental Management System Standard (ISO 14001:2004) was maintained.

Revenue



Operating profit



Chairman's report

James M. Millar AM

Chairman

I am delighted to have the opportunity to chair the Forestry Corporation of NSW's Board of Directors and to present the Forestry Corporation's first Annual Report. The corporation was created on 1 January 2013 through enactment of the *Forestry Act 2012*. This report also includes the six months of operations as the Forestry Commission of NSW, trading as Forests NSW. During that time the organisation was accountable to the Director General of the Department of Primary Industries and the Minister for Primary Industries, the Hon. Katrina Hodgkinson, MP.

The Board brings a range of experience to the corporation. Our focus is strategic – setting the overall direction of the business and the standards of corporate governance.

Our priority this year has been on putting in place the processes and tools for the corporation to build on its past achievements and improve its financial performance.

Forestry Corporation's senior management team demonstrated strong leadership during the implementation of significant operational changes, and I'm pleased all members have been confirmed in their roles following corporatisation.

The timber we supply is one of the most renewable and sustainable resources available. As forest managers we are part of a wider industry and we work closely with our customers and contractors to ensure the local industry remains competitive in a global market. I am pleased to report concerted efforts to

improve our financial performance are delivering results, despite challenging trading conditions.

Over the coming year the Board will continue to focus on the corporation's financial performance. We expect to embed the values of the corporation into all aspects of the business and work to deliver on our strategic plan – Strategy 2016.

Forestry Corporation is committed to protecting the environmental values of State forests. As part of this commitment we have been participating in the review of out-of-date regulations to ensure they provide the best possible environmental outcomes.

As an incoming Board we are concerned about the corporation's safety performance and this will also be a significant focus going forward.

On behalf of the Board, I acknowledge with gratitude the resilience and commitment demonstrated by the corporation's staff this year and have no doubt that together we will strive to reach our goals over the coming year.

James M. Millar AM
Chairman

Our focus is strategic – setting the overall direction of the business and the standards of corporate governance. Our priority this year has been on putting in place the processes and tools for the corporation to build on its past achievements and improve its financial performance.

CEO's report

Nick Roberts

Chief Executive Officer

Overview

Forestry Corporation of NSW came into being on 1 January 2013. This next chapter for the organisation builds on almost 100 years of forest management and timber production experience. It has been my pleasure this year to welcome, on behalf of all the staff, the first Board of Directors of the Forestry Corporation of NSW. Under the new Board, the corporation has a renewed focus on achieving excellence in commercial performance, safety, customer service and environmental compliance.

The past year has been one with many changes. The underlying nature of the business has not changed, however a number of our processes have, both as a result of our new operating structures and our market.

We have successfully improved efficiency and customer service throughout the corporation and reduced costs. Some of these improvements stemmed from redesigned business processes and restructures in parts of the business.

I am pleased to report our forest management continues to be certified to internationally recognised standards, demonstrating our ongoing commitment to sustainable management of the State's forests.

Operational safety review

The safety of our staff remains the first priority for the corporation. Regrettably our safety performance did not meet our targets over the last year. We ended June with a Lost Time Incident rate of 2.7, an increase of 0.5 from the previous financial year. This is a disappointing result given the improvement over recent years.

Safety is important in all aspects of our work. The senior management team and I are committed to identifying actions to improve safety for staff and ensure a safe work environment is provided for all.

Financial overview

Total revenue was $310 million, which was $8 million lower than the previous year. Our budget assumed improvement in trading conditions based on a forecast lift in the housing market later in the year. While housing starts have seen some improvement, the share of multi-unit dwellings,

which consume limited volumes of wood, has increased. Also affecting the market has been significant import competition due to the strong Australian dollar reducing both demand and price in our customers' markets.

These conditions weighed heavily on our markets and resulted in poor performance against budget.

We returned an operating profit before tax of $19 million, excluding significant items. This result was significantly below budget despite our effort to contain costs as demand decreased.

Operating costs were down by three per cent and overhead costs reduced by 19 per cent.

Delivery of timber products continued the recent trend downwards, reflecting weak market conditions, with 1.2 million tonnes of hardwood and cypress and 3.6 million tonnes of softwood sold.

Sawlog is our highest value product within the Softwood Plantations Division, generating $136 million in sales. Softwood pulp represented $49 million, while other grades contributed $13 million. The Softwood Plantations Division also received other revenues and grants totalling $6 million.

Within Hardwood Forests Division sawlog generated $56.6 million in sales. Pulp represented $12.9 million, while other grades amounted to $17.3 million. Other revenue generated was through grants and services and totalled $14.2 million.

The two operational divisions generated 98 per cent of the total revenue earned by the corporation.

A restructuring of corporate overheads was implemented during the year and a restructure of the Softwood Plantations Division was completed in early September 2013.

Asset management

The 2012–13 bushfire season was worse than the previous three seasons, with two days classified as catastrophic. Staff effectively managed the numerous fires they attended throughout the season, demonstrating dedication and successful cooperation with the Rural Fire Service and National Parks and Wildlife Service.

Meanwhile drier conditions have shifted the focus within the Softwood Plantations Division from managing fungal disease to drought-related issues.

Looking forward

There is some good news in the forward outlook, with housing analysts suggesting improvement in the housing market in early 2014. This would likely have a positive impact on our revenue towards the end of 2013–14. However the industry is also facing a decline in the export woodchip market.

Within this context, we will continue implementing changes to ensure the long-term viability of the business.

2012–13 has been a challenging year and I am very pleased with how staff have met those challenges.

The combination of corporatisation and difficult trading conditions has sharpened our focus. We have made some tough decisions to improve our effectiveness and performance, and I am confident we can meet our mission to deliver excellence in safety, financial performance and environmental responsibility in the year ahead.

Nick Roberts
Chief Executive Officer

Board of Directors

Noel Cornish

Director

Noel has extensive global business management experience, holding senior positions in the manufacturing and mining sectors. Noel has been Chief Executive of BlueScope's Australian and New Zealand steel manufacturing businesses and is a Director of a number of Australian and overseas companies. Noel holds a BSc (Metallurgy) and MEngSc from Newcastle University and also studied at the University of Michigan Business School.

Sarah Kearney

Chair Human Resources Sub-Committee

Sarah is a Director of Performance Insights and has extensive experience developing and delivering people management strategies. Sarah spent 18 years with global HR consulting organisation SHL Australia, including six years as Managing Director. Sarah has worked with companies from a broad range of industry sectors in Australia and overseas. Sarah holds a BSc (Psychology) from the University of NSW.

James M. Millar AM

Chairman

James is an experienced corporate executive, advisor and Director of a number of Australian companies and organisations. James has more than 35 years' experience as a corporate insolvency executive and was previously Chief Executive Officer of Ernst & Young. James holds a BCom from the University of NSW, is a Fellow of the Institute of Chartered Accountants and a Fellow of the Australian Institute of Company Directors.

Geoffrey Applebee

Chair Audit and Risk Sub-Committee

Geoffrey has over 40 years' experience in the accounting profession, including over 22 years as a partner at Ernst & Young. Geoffrey is a Director of a number of Australian companies. Geoffrey holds a BA (Accounting) and is a Fellow of the Australian Institute of Company Directors, a Fellow of the Institute of Chartered Accountants in Australia, a Fellow of the Certified Practising Accountants – Australia and a registered company auditor.

Nick Roberts

CEO and Executive Director

Nick has over 30 years' experience in the forest and timber industry, including five years as Managing Director of Weyerhaeuser Australia and six years as CEO of NSW's largest commercial forest manager. Nick has been actively involved in industry associations, chairing A3P and serving as a Director of Forest and Wood Products Australia.

Organisational chart

Forestry Corporation of NSW Board of Directors

Chief Executive Officer
Nick Roberts
BSc (Forestry)(Hons)
MSc (Forestry)

Executive Officer
Rahmat Khaiami
BSc, MSc

Government & Community Relations

- Communications & media
- Risk management & internal audit
- Government Information Public Access (GIPA) & Public Interest Disclosure (PID)
- Ministerial liaison
- Corporate reporting
- Secretariat & executive support
- Records management

Chief Forester & Company Secretary
Ross Dickson
BAgSc (Hons)
BSc (Plant Science)
PhD (Forestry Science)
GAICD

Land Management & Forestry Services

- Corporate governance
- Company secretariat
- Human resources
- Safety
- Assets & estates
- Fire management
- Forest information & planning
- Workshops & fleet
- Radio services
- Engineering
- Nurseries & genetic resources

General Manager Hardwood Forests
Dean Anderson
BSc (Forestry)

Hardwood Forests Division

- Operational management of native forests & hardwood plantations
- Contract & sales administration
- Hardwood sales
- Market & business analysis
- Recreation & tourism

General Manager Softwood Plantations
Ian Brown
BSc (Forestry)

Softwood Plantations Division

- Operational management of softwood plantations
- Contract & sales administration
- Carbon & investor sales
- Softwood sales
- Blowering production nursery

Chief Financial Officer
Anshul Chaudhary
BCom (Accounting), CA

Finance & Technology

- Corporate finance
- Tax & treasury
- Business analysis
- Commercial finance
- Shared services
- Information technology
- Managed applications

Financial summary

Profitability analysis

The forestry business is subject to the cyclical nature of the market and macro-economic factors, which can cause some volatility in its financial performance. The corporation faced another challenging year in 2012–13 with the depressed housing market showing some signs of improvement late in the financial year and the woodchip export market struggling due to the strong Australian dollar. The revenue of $310 million, was $8 million less than last year and $38 million below the budget expectations. The budget had assumed an improvement in the housing market, which was backed by optimistic industry forecasts. Also, we have seen a drop in the renovations market, which impacted on hardwood timber sales, and a move towards multi-unit dwellings, which use limited timber in their construction. The high Australian dollar in 2012–13 also led to a greater supply of imported wood products in Australia. With the depressed US housing market, European manufacturers have been re-directing their exports into Australia, but the recent reduction in the dollar rate has provided some relief.

Despite the lower revenues, we were able to deliver Earnings Before Interest and Tax (EBIT) of $28 million (excluding significant items), which was $5 million better than last year. This was achieved mainly through tight cost control and rationalisation of activities leading to approximately 80 fewer staff this year. Some of the initiatives that improved profitability included closing unviable mechanical workshops and retail nurseries, concluding the non-commercial thinning of white cypress in native forests and reducing overhead costs.

Key financial data

		2010–11	2011–12	2012–13
Revenue[1]	$m	327	318	310
Operating profit[1]	$m	34	14	19
EBIT[1]	%	43	23	28
Dividend payable	$m	14	5	9
Borrowings	$m	132	133	131
Biological assets	$m	751	734	708

Ratios

		2010–11	2011–12	2012–13
Return on assets	%	1.8	0.7	1.0
EBIT margin[1]	%	13.2	7.3	9.1
Liquidity ratio	times	1.0	1.1	1.3
Debt ratio	%	42.1	45.3	41.4
Interest cover	times	4.6	2.5	2.9

[1] *Excludes significant items such as revaluation impact, impairments and impact on superannuation funds, before taxes.*

Key ratios

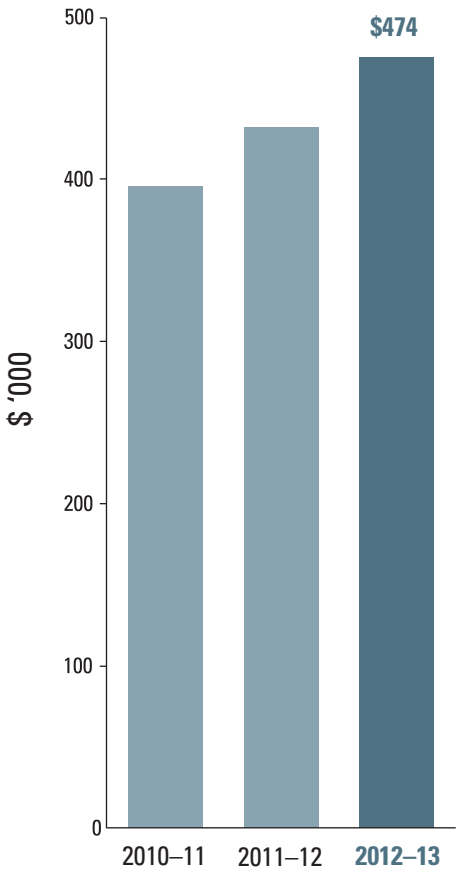
The key ratios signal an improvement in our financial strength and performance against the previous year. The EBIT margin (return on sales) was 9.1 per cent, an improvement of 180 basis points over last year. This also drove improvement in the return on assets. Our balance sheet position remains strong, with a biological asset value of $708 million and both liquidity ratio and interest cover improving. We were prudent in our cash management by deferring major capital expenditure and actively managing the working capital. This saw an improvement in our overall cash position of $11 million.

The corporation declared dividends payable of $9 million, and repaid $2.5 million of borrowings.

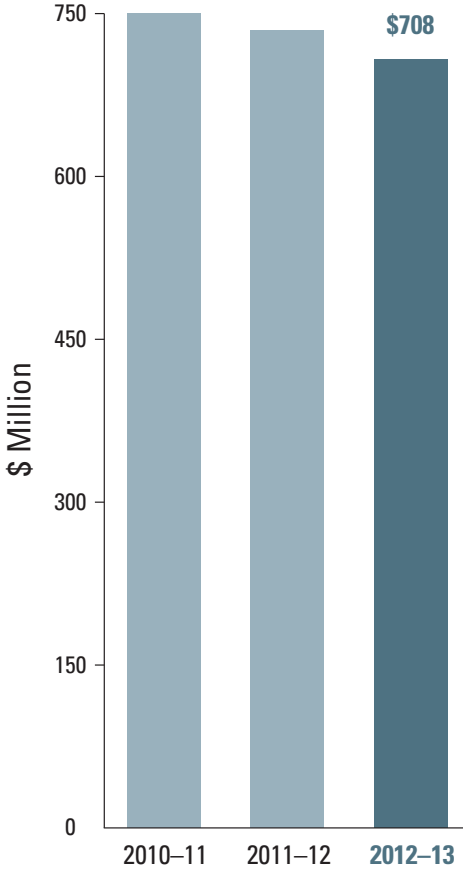
Productivity ratios such as revenue per employee show a significant improvement, to an average of $474 000 revenue earned per full-time equivalent employee.

Significant items recognised in the income statement were a $38 million benefit from the change in defined benefit superannuation liabilities (actuarial assessment), and a $26 million expense relating to the reduction in biological assets valuation.

Revenue per employee



Biological assets



Softwood Plantations Division

Financial performance

The Softwood Plantations Division has continued to experience difficult trading conditions. Despite achieving a similar volume of sawlogs and pulpwood sales, revenue was significantly lower than budget expectations. The division recorded revenue of $204 million and Earnings Before Interest and Tax (before overheads) of $50 million. Despite the slight improvement in revenue, this year's costs included pressures from log pricing, which diluted the profitability of the division.

The predicted housing sector increase in building starts through 2012–13 failed to materialise. Expenditure was contained by reducing the re-establishment program to include only those areas clear-felled during the year.

We also made savings in harvesting due to lower volumes and the ability to reduce capacity, allowing the division to operate out of punitive rate bands. Our haulage costs were higher than budgeted due to longer lead distances as some roadside sales were converted to delivered sales.

Asset protection

While the fire season was significantly worse than the previous three seasons, our good preparation and quick responses meant fires were extinguished very quickly. There was one significant fire in the Snowy Region which burnt 70 hectares of older age-class trees, but fortunately we recovered and sold most of the timber.

The dry weather limited the fungal diseases experienced in the two previous years, however there was some drought-related mortality in 10

Softwood Plantations Division	2010–11	2011–12	2012–13
Revenue $m	228	198	204
Harvested timber			
– Sawlog '000 m^3	2128	1933	1980
– Pulp '000 tonnes	1580	1486	1430
Earnings before interest, overheads and taxes $m	65	49	50
Operating profit after overheads and before tax $m	45	32	34

to 15-year-old trees in the south west of the State. These blocks are being managed to reduce the impact of the anticipated drought conditions in the coming year.

Marketing and sales

Greater competition in the domestic lumber market, caused by increased imports on the back of the appreciating Australian dollar, resulted in difficult trading conditions for domestic structural sawmills in an already depressed market. Sawlog supply was some 120 000 cubic metres less than expected.

The pulpwood market also showed signs of stress, resulting in reduced quantities drawn by Visy.

However, the export log market in China has provided a useful outlet for logs from the Bombala area. Pricing in China started to pick up in the second half of the year and has proved to be a viable alternative to the depressed domestic pulpwood and sawlog markets. The new Dongwha sawmill in Bombala, which opened in May, will strengthen the financial situation of assets in this area into the future as volumes pick up.

Staff

We redesigned the business processes within the division to respond to escalating costs and flat or reducing revenues. This culminated in a restructure of staff roles to ensure the diverse skills of our people are recognised and the right people are in the right roles. Unfortunately this resulted in some redundancies, with the new organisation expected to be much more responsive and efficient.

Environmental and social

We are committed to achieving the objectives within our Forest Management Improvement Plan, which addresses, amongst other things, the sustainability and environmental aspects of plantation management.

Increased community use of plantation forests for a wide variety of activities is putting pressure on our operations, especially in the plantation forests close to major centres. There will be some trials dedicating areas of forest to single use recreational pursuits to provide better visitor experiences and improve our ability to manage commercial forest operations in concert with recreational use.

Hardwood Forests Division

Financial performance

Hardwood Forests Division had lower harvest volumes against last year. This was mainly in the pulp residue market, which was heavily impacted by the strong Australian dollar putting pressure on woodchip exports. This led to a decline in revenue of $11 million. However the division was able to control costs resulting in an Earnings Before Interest and Tax loss (before overheads) of $4 million.

Major wet weather events took a toll on our north coast roads, resulting in above budget maintenance and repair costs.

We negotiated the cessation of the Walcha Wood Supply Agreement with Boral to the benefit of both parties. This followed the conclusion of a recent arbitration case relating to fulfilment of Wood Supply Agreement obligations with Boral.

Asset protection and compliance

Our fire season was more typical after a number of quiet years, with bushfires affecting 42 113 hectares of State forest, including 433 hectares of hardwood plantation across the State.

On the south coast we worked with the Office of Environment and Heritage on a federally-funded joint program to survey for koalas across the landscape. This will inform discussion on how best to manage koala habitat in this area in the future.

The NSW Environment Protection Authority (EPA) initiated prosecution against us for harming an endangered ecological community in Double Duke State Forest. However, when the EPA examined the corporation's defence the prosecution was withdrawn.

We worked with the EPA to address some anomalies that

Hardwood Forests Division			
	2010–11	2011–12	2012–13
Revenue $m	95	112	101
Harvested timber			
– Sawlog '000 m^3	646	685	627
– Pulp '000 tonnes	593	544	385
Earnings before interest, overheads and taxes	(1)	(3)	(4)
Operating profit after overheads before tax $m	(13)	(16)	(15)

have arisen in the Brigalow, South Western Cypress and River Red Gum Integrated Forest Operations Approvals (IFOAs), which determine the conditions under which harvesting is permitted. Changes to these IFOAs came into force in July 2013. The NSW Cabinet has also directed the EPA, NSW Fisheries and Forestry Corporation to review coastal IFOAs to ensure they deliver an efficient and cost effective regulation that improves environmental performance and enforceability.

We continued contributing to the Living Murray Project, which aims to achieve smarter use of water and the delivery of environmental water entitlements. One major initiative completed as part of this project was the Koondrook-Perricoota Forest Flood Enhancement Works, which will secure ibis breeding habitat.

Marketing and sales

A timber residue tender process for commercial firewood resulted in the sale of 22 000 tonnes under contract.

Forestry Corporation settled a dispute with Gunns regarding the supply of Alpine Ash timber from Tumbarumba.

Staff

In light of the repeal of the *Timber Marketing Act 1977* the Timber Inspection Service was reviewed and the service was discontinued.

Unfortunately this change, along with a restructure in our Western Region, led to a number of redundancies.

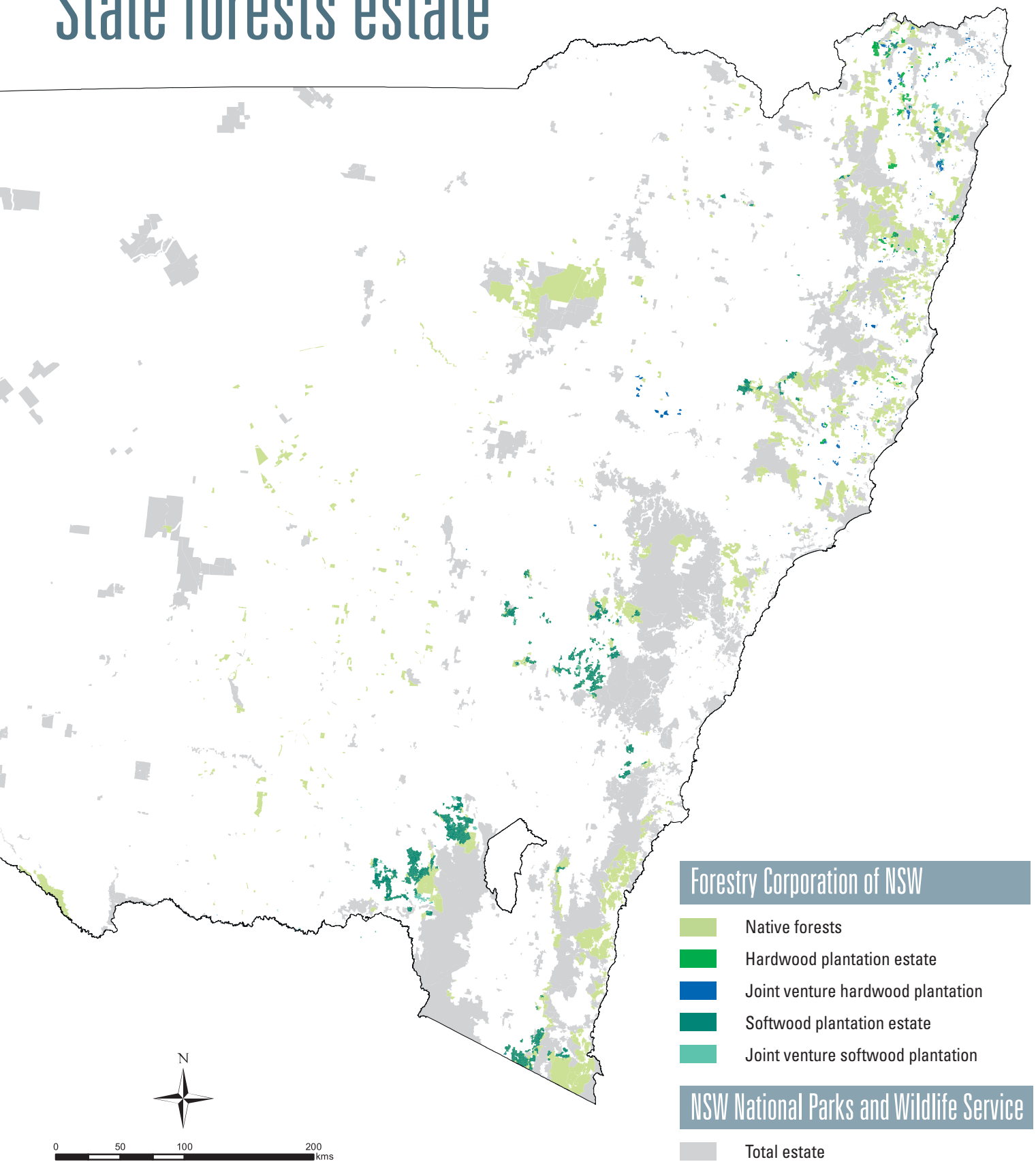
As we sharpened our focus and looked to improve operations, we were pleased to appoint Mike Farrow, former Chief Operations Officer of Forestry Tasmania, to the newly-created role of General Manager Timber Sales and Distribution. Mike will play a key role in implementing our strategy and increasing efficiency in the future.

Social

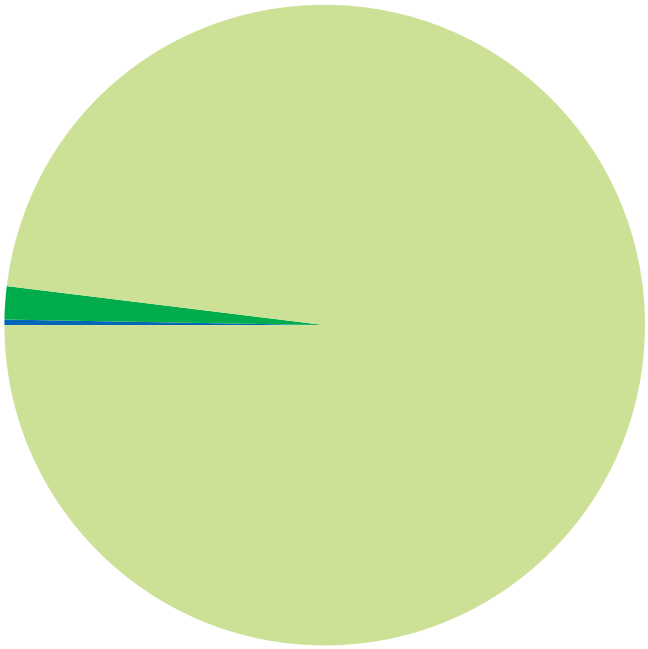
The corporation continued to gain recognition as a major player in the tourism sector. We were awarded gold for adventure tourism for the State forests of the Watagan Mountains at the 2012 Hunter and Central Coast Awards for Excellence in Tourism, and were also finalists in the adventure tourism category of the 2012 NSW Tourism Awards.

In acknowledgement and respect of management of the forests by Aboriginal people in the past, present and future, we held a competition to develop a logo to be used by our Aboriginal Cultural Heritage Officers to further partnerships with Aboriginal communities. The winning entry was designed by Saretta Fielding of Lake Macquarie photographed here with Forestry Corporation CEO, Nick Roberts.

State forests estate



Hardwood Forests Division
1 815 181 ha



- Native forest 1 780 706 ha
- Hardwood plantation 32 168 ha
- Joint venture hardwood plantation 2307 ha

Estate
2 201 371 ha

Including Cumberland State Forest 41 ha

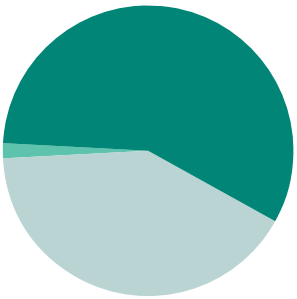
Hardwood Forests Division 1 815 181 ha

- 69 per cent available for harvest
- 31 per cent unavailable for harvest

Softwood Plantations Division 386 149 ha

- 59 per cent available for harvest
- 41 per cent unavailable for harvest

Softwood Plantations Division
386 149 ha



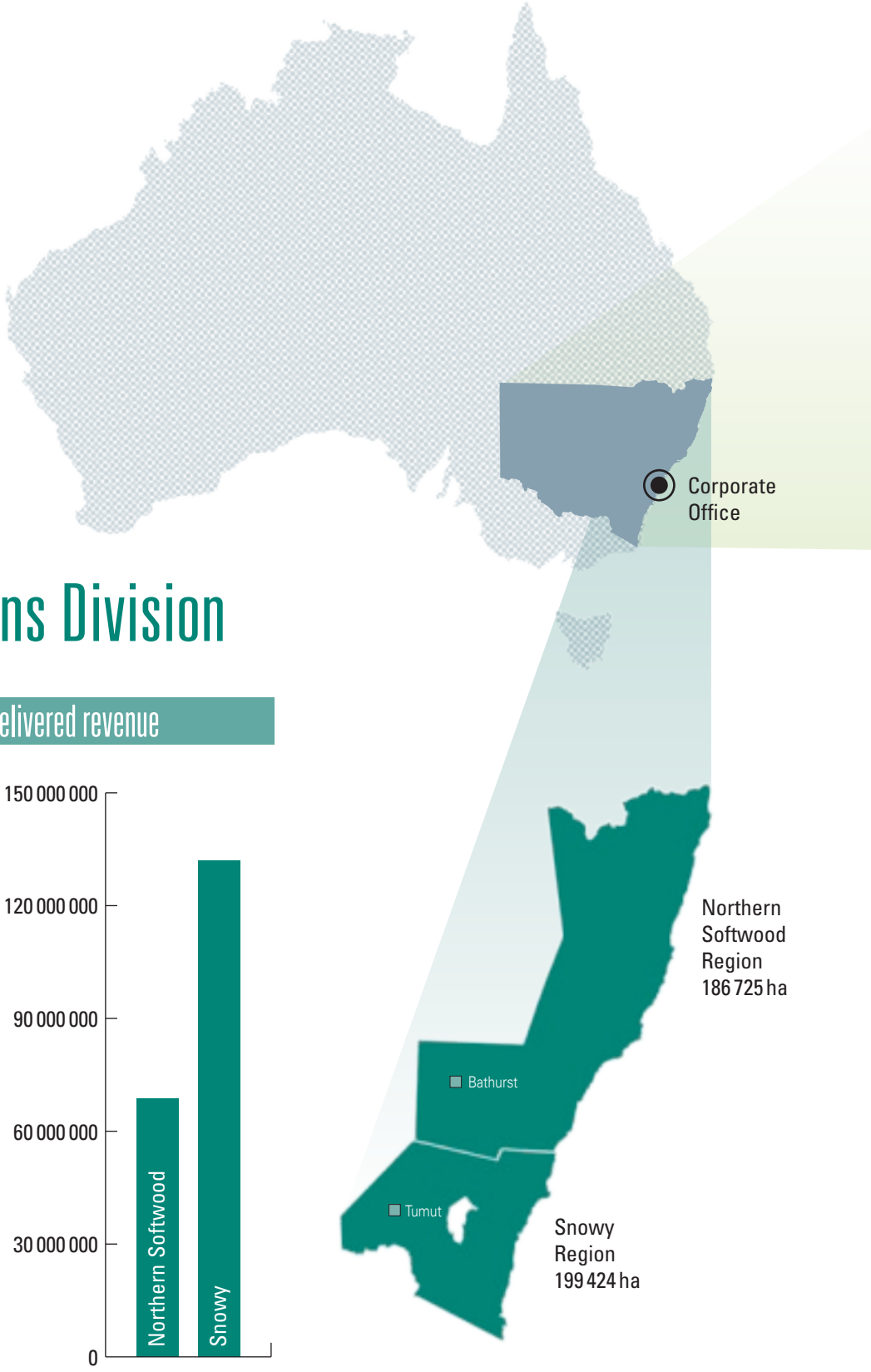
- Softwood plantation 221 527 ha
- Native forest and other areas 158 828 ha
- Joint venture softwood plantation 5794 ha

Timber by amount and revenue

Forestry Corporation of NSW is the largest manager of commercial native and plantation forests in NSW. State forests comprise almost three per cent of the landmass and eight per cent of all forested land in NSW.

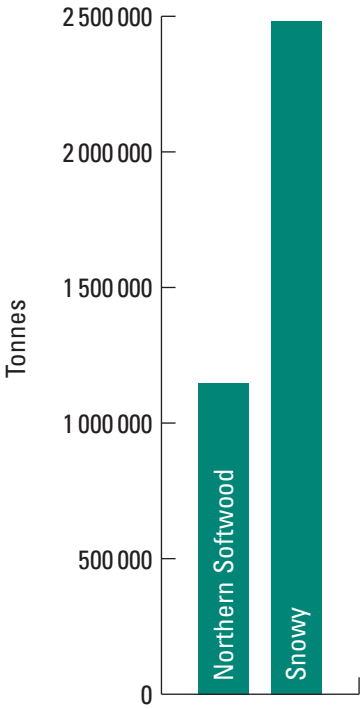
We manage more than 10 per cent of Australia's plantation forests, with our estate comprising 0.24 million hectares of the two million hectares of plantation forest in Australia.

We also manage 23 per cent of Australia's 9.4 million hectares of multiple-use public native forest.

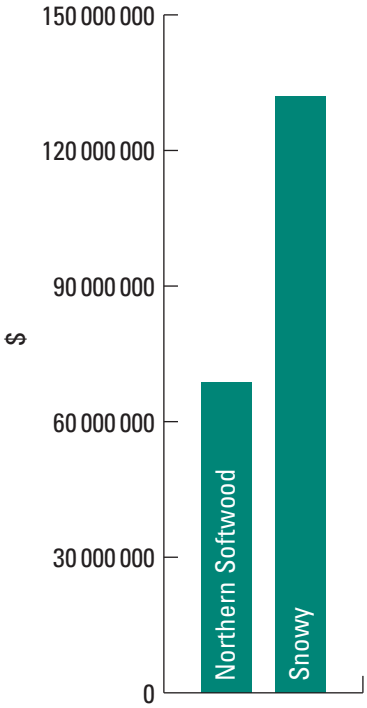


Softwood Plantations Division

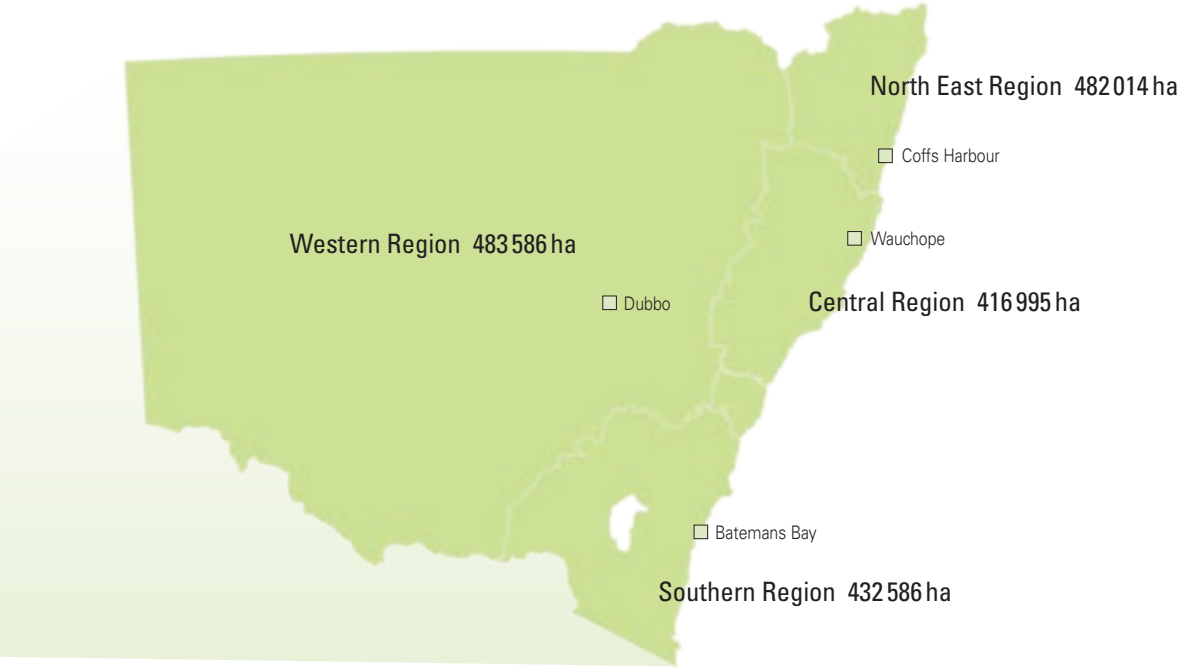
Harvested amount



Delivered revenue



Hardwood Forests Division

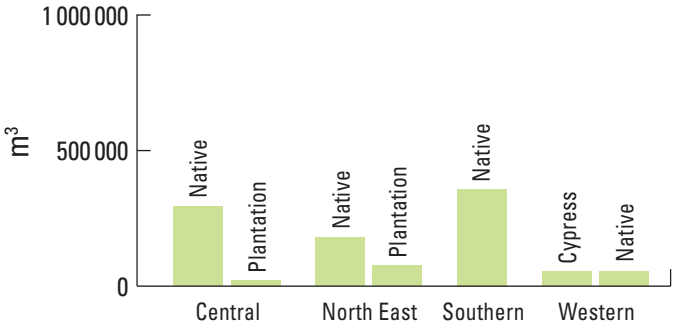


In NSW, 19.5 per cent of all native forests are dedicated as formal nature conservation reserves, including National Parks and State forest reserves. In NSW State forests, an additional 3.3 per cent of all native forests are excluded from harvesting for regulatory and operational reasons.

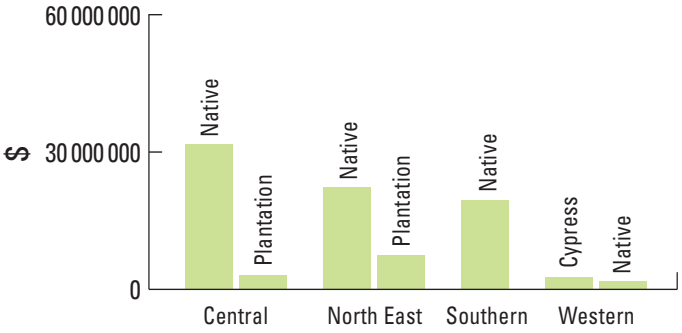
In 2012, 26.5 million cubic metres of timber was harvested in Australia. 14 per cent of this timber was harvested by Forestry Corporation.

Australian forest product manufacturing turnover is $22 billion, while Forestry Corporation's turnover was $310 million.

Harvested amount



Delivered revenue



Our sustainability performance

Sustainability is our business. It is ingrained in everything we do.

Forestry Corporation is continually identifying and implementing new and improved ways of achieving better social, environmental and economic outcomes.

Strategy 2016 goals

- A safe place to work
- Satisfied customers who are profitable to us
- Meet agreed shareholder expectations
- Excellent environment manager
- Our people aligned to corporate culture
- Financially profitable and market resilient
- Professional and self-managed contractors.

Timber for the long term

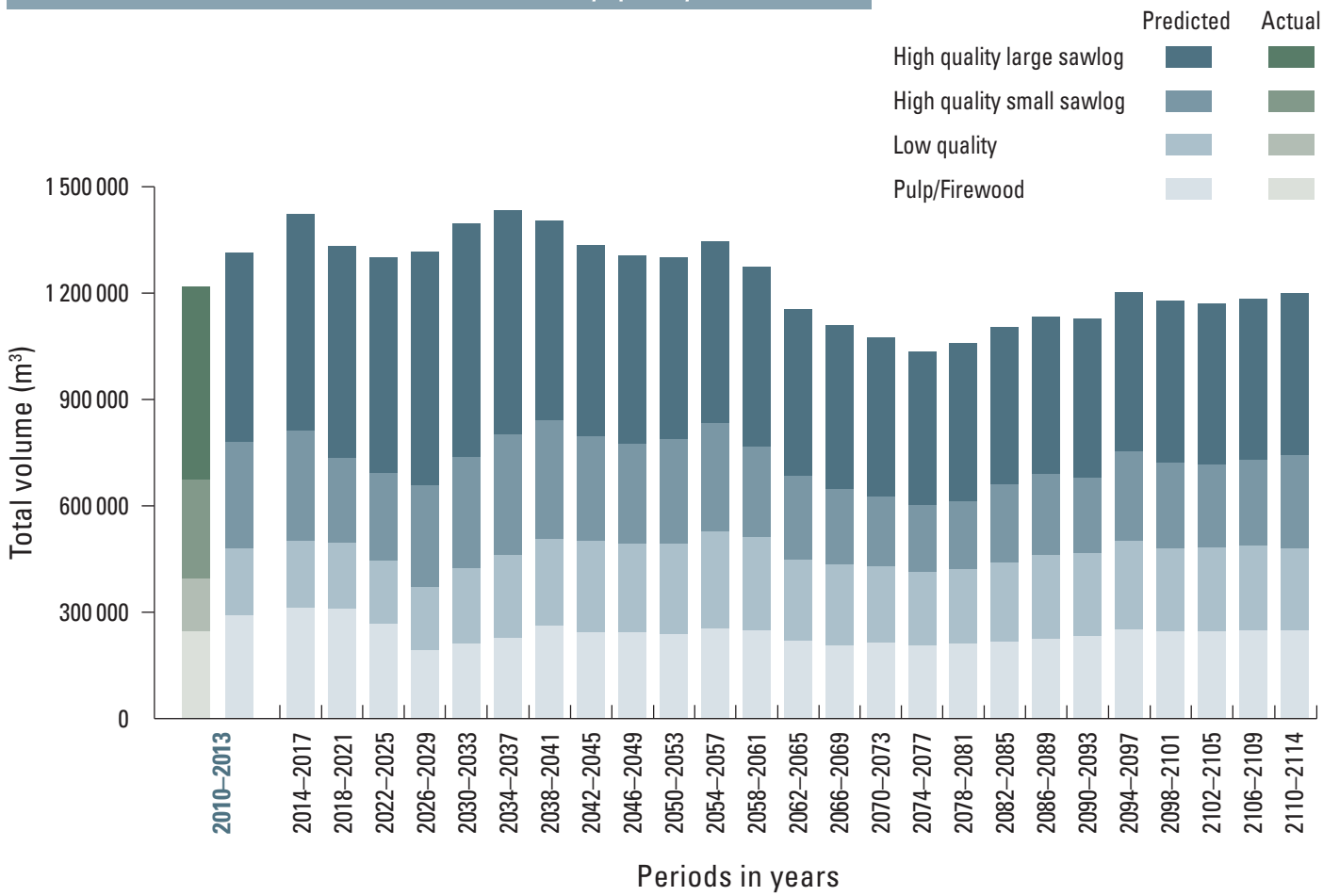
We manage NSW State forests sustainably to ensure the forest environment is maintained over the long term and there is an ongoing supply of timber. Our modelling system Forest Resource and Management Evaluation System (FRAMES), helps us to manage hardwood timber production and harvest in a sustainable manner. The system, incorporating complex mathematical equations and scientific research, coupled with thousands of field measurements, is used to predict the long-term availability of timber and plan harvesting operations.

FRAMES models assist us to predict the volume of timber that can be harvested each year while maintaining forest health through silvicultural and conservation prescriptions.

The central component of these wood flow calculations is a bank of growth models that describe how fast our forests are growing. These models have been developed using data from 2000 native forest permanent growth plots where features such as tree sizes, species and quality have been recorded, along with local site characteristics, such as slope, aspect and site productivity. This measurement program, which started in the 1970s, now includes over 40 000 individual trees, which are repeatedly measured every five years to inform predictions about how fast trees grow.

The table below shows predicted volumes for our main timber products over the next century. During the 2010–13 period, the actual volume harvested was below the predicted maximum amounts, mainly due to the global economic crisis slowing uptake by industry. This, combined with major weather events that constrained the supply to our customers, contributed to a 10 per cent undercut over the period. The next round of forest modelling will incorporate this undercut so we can refine both our forest management and market predictions.

Actual and future harvested timber volumes by quality class



Social performance

Objectives

Contribute towards regional development and have regard for the interests of the community in which we operate and of our staff.

Results 2012—13

- Over 125 free recreational sites open to the public
- $1.46 million spent on community education
- Over 9000 students engaged through education events
- 1212 staff participations at training courses
- 3561 Aboriginal cultural heritage sites protected.

Targets 2016

- Community survey score to show a positive trend on 2013 baseline
- Reduction in Recordable Injury Rate by at least 35 per cent year on year
- Achieve Recordable Injury Rate of less than one
- Improve the number of employees with a performance rating of greater than the midpoint of the rating scale by 10 per cent
- Employee engagement survey score to show a positive trend on 2013 baseline.

Safety activities and outcomes

Safety — our first priority

Forestry Corporation's vision is to be the safest commercial forest manager in Australasia, and in 2012–13 we continued implementing our three-year Health and Safety Strategy – 'First Priority 2011–14'.

Safety management system

Following the introduction of the new *Work, Health and Safety Act 2011* and Regulation, which came into effect in January 2012, we reviewed 28 safety standards and will complete further work over the next year to make changes to the safety management system and supporting documentation.

Safety performance

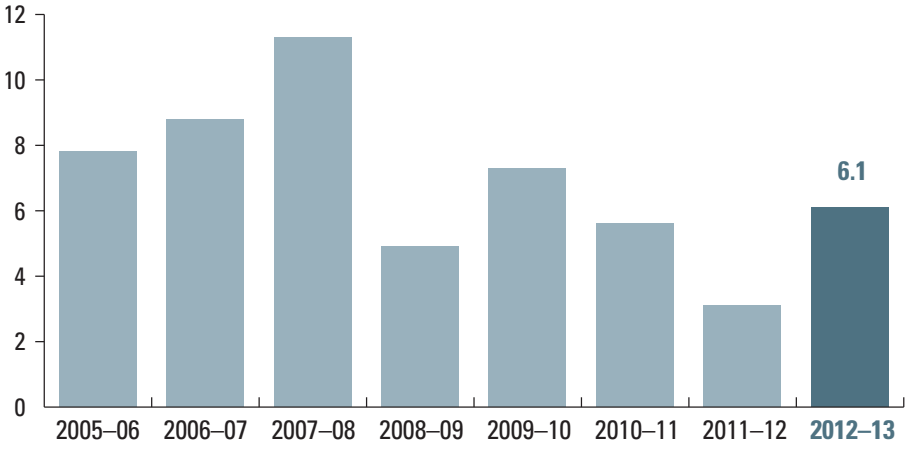
A significant increase in the number of lost time and medical treatment injuries this year resulted in a regression on last year's safety performance against all key indicators. We did not achieve our primary target of a 35 per cent reduction in the recordable incident rate, ending the year at 6.1 against a target of 2.0.

Self insurance

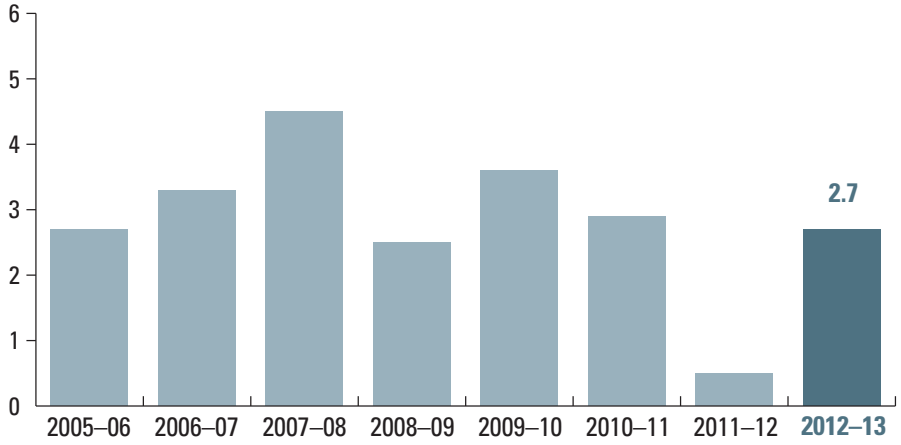
A surveillance audit was undertaken by WorkCover NSW in 2012 as part of the requirements of our Self Insurer's Licence. The audit was conducted in accordance with the National Self Insurers OHS Audit Tool.

WorkCover NSW confirmed all requirements of the audit have been met, and the next audit will occur in 2015.

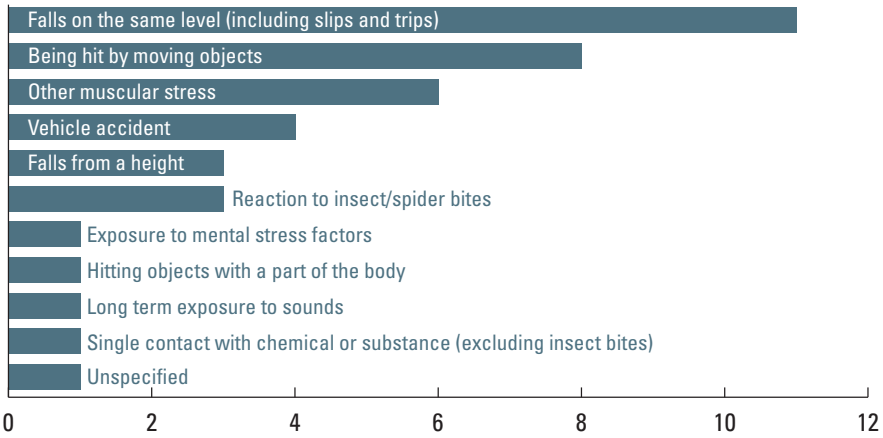
Recordable incident rate



Lost time incident rate



Recordable incidents by cause



Social overview

Volunteers

This year, we continued our successful partnership with Conservation Volunteers Australia to deliver the Communities in Forests Program. Under the partnership, Conservation Volunteers Australia coordinated more than 300 volunteers, who spent 50 days removing almost 400 000 square metres of exotic weeds and planting around 2000 native trees, shrubs and grasses in State forests.

The projects completed by Conservation Volunteers Australia complement the work of local volunteers and community groups in State forests throughout NSW. During the year, we supported a number of community clean up days as part of a strategy to manage illegal dumping.

Our volunteer programs in Cumberland and Strickland State forests continued this year, with almost 400 volunteer days spent on bush regeneration and trail construction activities.

Recreation

State forests continue to gain popularity and recognition as world class recreation and tourism destinations. In 2012, we won the ecotourism and adventure tourism categories at the Hunter and Central Coast Tourism Awards and the best new tourism development at the North Coast Tourism Awards.

More than 125 recreation areas were provided for free public use and visitation at tourism destinations was strong. Cumberland State Forest in Sydney welcomed over 100 000 visitors and the number of visitors to the Forest Sky Pier in Orara East State Forest doubled, with close to 100 000 visiting the new facility.

We continued to work with groups to stage organised recreational events in State forests that balance the needs of forest users, environmental and timber harvesting activities. Successful events in 2012 included the popular Back Yamma Bigfoot mountain bike event in the State's central west, and the Bega Valley Rally in the Eden area, which was declared by event organisers as the best for many years. Building on this success, plans were developed for the World Rally Championships to be held at Coffs Harbour in September 2013.

Staff

In 2012, competitive economic conditions encouraged us to review overhead costs and streamline the fleet workshops, finance, government and community relations and radio services. These changes will improve efficiency and ensure our resources are tightly targeted.

We also began driving a culture change among staff and contractors in their approach to environmental management by delivering nationally accredited training. As well as instructing staff on the practical application of biodiversity protection and silvicultural principles, the training aims to improve adherence to licence conditions in the field by increasing understanding and appreciation of how environmental management impacts the health and productivity of the forest.

Sustainable forestry sustains industry

With more than two million hectares of forest throughout the State, Forestry Corporation has long been an important employer, particularly in regional areas. But the real economic impact of forestry extends far beyond direct employment to the jobs created in the many harvesting and timber processing operations.

According to the Australian Bureau of Statistics, there were more than 65 000 people employed in forestry and forest product industries at the time of the 2006 Census. The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) reported in 2012 that close to 13 000 of these jobs were in NSW.

Many regional economies have grown in line with local forests and plantations, as the variety of industries that rely on forest products, from specialist machinery and equipment suppliers, to haulage and transport firms, through to sawmilling and manufacturing businesses, have proliferated.

One example of a business built on the back of the forest industry is weatherboard producer Weathertex, which has employed more than 100 local people in its Raymond Terrace factory in the Hunter region of NSW for almost 50 years. Weathertex turns waste products from the local State forests and sawmills into high quality sustainable weatherboard cladding and panels. Weathertex has designed a process that can take hardwood timber woodchips not suitable for traditional processing and convert them into fine fibres that are bonded with a natural wax to produce durable cladding that is resistant to white ants and termites.

With many of the big players in Australia's housing construction industry among its customers, and an expanding export market, Weathertex's innovative use of waste products from forestry-related industry is a success story for the region, sustaining local jobs and contributing to the local economy.

Environmental performance

Objectives

Conduct our operations in compliance with the principles of ecologically sustainable development, while being an efficient and environmentally sustainable supplier of timber.

Results 2012–13

- 86 targeted species found with 3018 threatened fauna sightings
- $1.5 million spent on feral animal and weed control
- $5.8 million spent on harvesting supervision and environmental compliance in hardwood forests
- 10 fines received; 0 prosecutions.

Targets 2016

- Contractor performance measurement greater than 85 per cent
- Top 10 contractors taken through the community engagement program
- Nil environmental prosecutions
- All Integrated Forestry Operations Approval review outcomes implemented
- Two non government organisation partnerships achieved.

Environmental overview

This year, Forestry Corporation continued to embrace cutting-edge technology to enhance and improve its environmental performance and fire management capability. Our operations adhere to strict environmental standards and regulations, and we have again maintained our independent certification to internationally recognised standards of forest management.

Independent certification to forestry and environmental standards

We underwent a rigorous independent auditing process to ensure we continued to meet and exceed the environmental, social, economic and sustainability criteria of the Australian Standard (AS4708:2007) and Environmental Management System (ISO 14001:2004).

These standards cover a diverse range of criteria, from protection and maintenance of biological diversity, ecosystem health and vitality and soil and water resources, to maintenance of forests' productive capacity and contribution to carbon cycles. The standards also assess our contribution to long-term social benefits, including how we foster public participation and community relationships, and maintaining the natural, cultural, social, religious and spiritual heritage values of Indigenous and non-Indigenous people.

Following a comprehensive external review of systems and processes in five of our regions, we were successfully recertified to both standards for a further three years.

Forest information and planning

Cutting-edge laser technology and mobile applications are continuing to drive improvements in planning and on-the-ground management.

AUSTRALIAN FORESTRY STANDARD

AFS / 01-21-05

PEFC

PEFC/21-23-05

NCS INTERNATIONAL CERTIFIED ENVIRONMENTAL MANAGEMENT SYSTEM ISO 14001

Using LiDAR technology, which maps forests from the sky using a laser to generate detailed data on tree heights and timber volumes, we are continuing to improve our ability to pinpoint natural forest features that need to be protected and develop effective management plans. This year, we completed a major project to review native forests on the north coast using the digital mapping tool. The data collected is now being used to evaluate management strategies and analyse alternative options. This detailed data will lead to improved reporting and the development of long-term plans that more effectively balance maintaining the biodiversity of native forests with timber harvesting operations.

New mobile technology is also being developed so staff can access mapping data in the field and update and edit the information based on live conditions. This will increase the ability of field staff to access up-to-date mapping data, and should lead to improved planning and evaluation. A prototype was developed this year, and testing is underway.

Fire management

New technology, rigorous training and increased collaboration with other fire fighting authorities are delivering continued improvements in our bushfire prevention and response capability.

We maintain a comprehensive annual wildfire and hazard reduction database, which is used to identify trends, measure performance and establish remedial actions. This year we also successfully developed new detailed mapping tools that improve our ability to create and manage longer-term hazard reduction burning plans. This year, we completed hazard reduction burns over more than 20 000 hectares, exceeding our State hazard reduction target.

Scenario-based fire training was delivered throughout the State to train and test our fire fighting staff in practical fire fighting skills including extinguishing car fires, using the chain of command, first aid and navigation. More than 140 staff were accredited or re-accredited as tanker drivers.

As one of the four fire fighting authorities in NSW, we are committed to collaborating with other agencies to effectively prevent and manage bushfires. In addition to rigorous scenario training, staff participated in a number of incident management workshops and exercises coordinated by the Rural Fire Service. Our staff attended over 270 wildfires this season in NSW and participated in numerous incident management teams during fires declared as Section 44 under the *NSW Rural Fires Act 1997*. In response to a request for assistance during intense bushfires, we deployed a strike team of 14 staff and seven vehicles to north east Victoria to support their fire fighting efforts in February.

Plantation delivers environmental and economic benefits

The Coombes Plantation, near Wauchope in the State's north, is amongst the best examples of commercial eucalypt plantations in NSW.

The 286 hectare eucalypt plantation was established in 2000 as both a carbon offset and a future timber supply, following an agreement between the Forestry Corporation of NSW and the Tokyo Electric Power Company (Tepco).

Thirteen years after its establishment, the plantation's five carefully selected eucalypt species are thriving. The planted Dunn's white gum, coastal blackbutt, spotted gum, Gympie messmate and flooded gum have reached up to a healthy 32 metres in height and 30 to 50 centimetres in diameter, and will prove a reliable source of timber for poles, girders, peeler logs, sawlogs and pulpwood for local industry in the future.

Importantly, the plantation is also sequestering around 7000 tonnes of carbon dioxide each year. Its location on previously cleared farmland also makes it compliant with the Kyoto Protocol, meaning it is directly contributing toward Australia's internationally agreed greenhouse gas mitigation targets.

The plantation was part of our registration with the NSW Greenhouse Gas Reduction Scheme (GGAS), which allowed us to receive and trade credits for the carbon sequestered by the plantation. The plantation is now owned solely by Forestry Corporation as Tepco sold their share to us when the future of the State scheme for trading carbon became uncertain.

When GGAS closed to make way for the Commonwealth's Carbon Farming Initiative (CFI) in 2012, we began engaging in policy discussions with the Commonwealth to recognise forestry activities like the Coombes Plantation under the new scheme. While the recent recognition of farm forestry and new long rotation hardwood plantations under the CFI are positive indications, the future of carbon trading in Australia remains uncertain.

Economic performance

Objectives

Improve asset and estate productivity and implement a market resilience program in order to maximise the net worth of the State's investment in the corporation.

Results 2012–13

- Operating costs down three per cent and overhead costs down by 19 per cent
- Divesting non-performing hardwood plantations as per approved plan.

Targets 2016

- Corporation's earnings before interest, taxes, depreciation, and amortisation over 16 per cent of sales or $55 million
- Corporate overhead to revenue ratio below 5.5 per cent
- Five per cent (or $15 million) of income from non-timber revenues (excluding Community Service Obligation grants)
- Delivery in Full on Time in Spec score greater than 61 per cent (top five customers for Hardwood Forests Division; all customers for Softwood Plantations Division)
- All customers are profitable to us at gross margin level.

Successfully managing the damaging Monterey pine aphid (*Essigella californica*)

The Monterey pine aphid (*Essigella californica*) was first recorded in Australia in 1998. Since then it has quickly spread throughout Australian softwood plantations, causing an estimated $21 million a year of damage to the forestry industry.

In 2005, Forest and Wood Products Australia commissioned the South Australian Research and Development Institute (SARDI) to import, test and rear an exotic parasitoid wasp (*Diaeretus essigellae*) to control the Monterey pine aphid. This tiny wasp, between 1.2 and 1.9 millimetres long, is not only a natural predator to the Monterey pine aphid, but it has also been proven to only attack the species, making it ideal for controlling the damaging insects without impacting any other species.

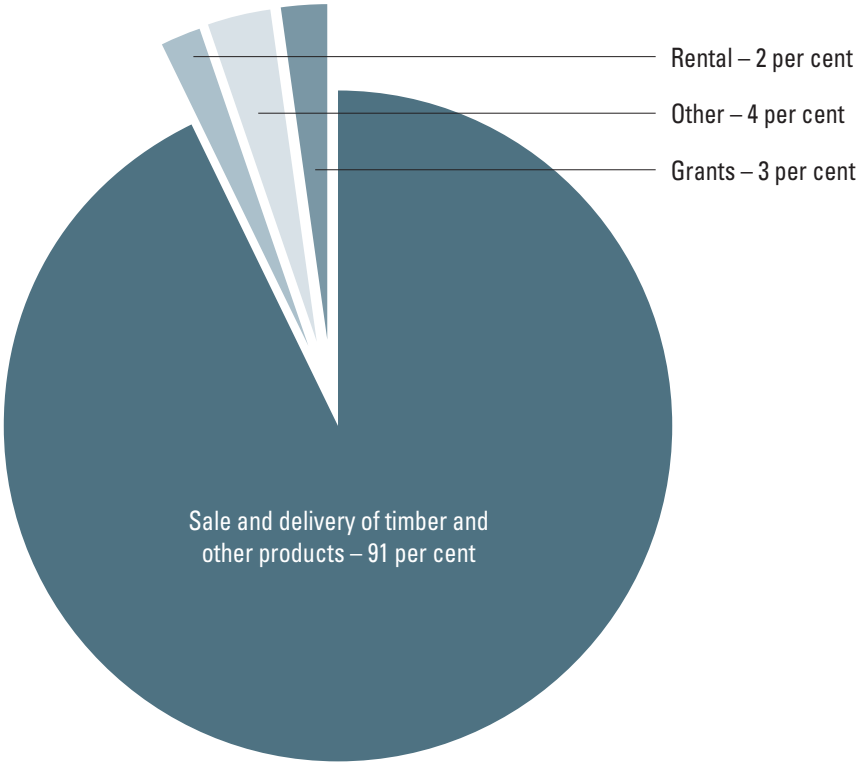
Infestations during the recent drought caused significant defoliation and production losses, so we were pleased to support this biological control program. We contributed $26 000 a year to the project over five years, and in 2009 the Forest Health Survey Unit within the Department of Primary Industries began releasing the wasp into our softwood plantations.

Initial surveys and monitoring in 2011–2012 returned disappointing results, detecting no established populations of the wasp anywhere in Australia. However, during more recent monitoring we detected mummified aphids in several plantations in the Snowy Region, indicating the wasp is established and active. Following these early signs of success, we will continue monitoring in all our softwood plantations to measure the wasp's impact on Monterey pine aphid numbers over the longer term.

Revenue and trends

Forestry Corporation revenue for 2012–13

Forestry Corporation generated $282 million from the sale and delivery of timber and other products, representing 91 per cent of total revenue. Other products that generated income include nursery stock, gravel, charcoal and Broombrush. Of the $9.6 million in grant funds received, 98 per cent are Community Service Obligation funds used to provide social and environmental services, which would not otherwise be undertaken by a forest management business. Other services rendered included the provision of State forests for a range of purposes such as telecommunication sites, recreation and tourism activities, grazing permits and apiary sites.

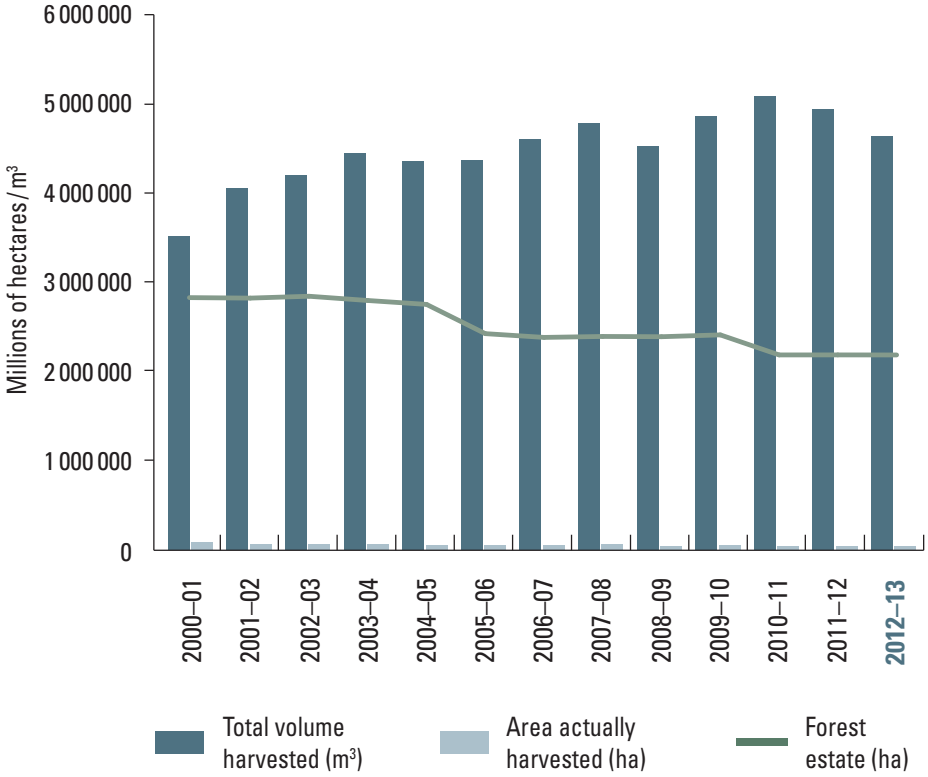


Forest estate production and harvesting trends

The native State forest estate area has declined over the long term, primarily due to transfer to NSW National Parks. This trend began in 1994 from a peak area of 3.7 million hectares.

The total volume harvested has generally increased annually since 2001 due to the additional volumes harvested from softwood plantations as the estates matured. The drop over the last two years, and particularly this year, reflects the impact of the global economic crisis and a corresponding slower demand from industry. Additionally, major weather events further constrained supply to our customers.

The five year average of the total area harvested is 1.7 per cent, while the 2012–13 figure was just above this at 1.8 per cent.



New sawmill a boost for Bombala

Local jobs, shorter haulage distances and long-term certainty for the timber industry are just some of the benefits to flow from Dongwha Timbers' new $74 million state-of-the art sawmill, which opened in Bombala in May.

We manage 37 000 hectares of pine plantations in the region, and are the sole supplier of sawlogs to the new Bombala mill.

There is little doubt that Dongwha Timbers' investment will benefit the timber industry, the environment and the community as a whole.

Forestry Corporation injects about $25 million into the regional economy each year through employment, engagement of forestry service contractors and purchasing of materials used in forest management, such as gravel and fuel.

The new sawmill will be supplied by the Bombala plantations, which were established in 1927 to support economic activity and contribute to the timber needs of the State.

Dongwha Timbers is a world-renowned company, and their investment in sophisticated sawmilling technology at Bombala is a vote of confidence in the local timber industry that continues to be managed by local staff. It will also ensure local demand for timber products into the future.

As an added bonus, the new mill will also reduce the distance required to transport logs, resulting in lower truck emissions from forest haulage.

Corporate governance

Interim Board

The NSW Government appointed an Interim Board for the Forestry Corporation of NSW in December 2012 to ensure appropriate governance arrangements were in place for the start of the corporation's operation on 1 January 2013.

The Interim Board remained in place until the Board of Directors was appointed on 1 March 2013 as required under the *Forestry Act 2012*, *State Owned Corporations Act 1989* and the constitution of the Forestry Corporation.

The Interim Board consisted of:

- Mr Dominic Schuster (Chairman) – NSW Treasury
- Mr Tim Spencer – NSW Treasury
- Mr Nick Roberts (CEO) – Forestry Corporation (Mr Roberts was appointed as an Executive Director on 1 January 2013 for a period of three years).

Board meetings

During the reporting period, three Interim Board meetings were held.

Member	Number of meetings attended	Number of meetings eligible to attend
Mr Dominic Schuster (Chairman)	3	3
Mr Tim Spencer	3	3
Mr Nick Roberts (Executive Director)	3	3

Board of Directors

The Board is constituted under the *Forestry Act 2012* and is accountable to the voting shareholders as set out in the *State Owned Corporations Act 1989*.

Forestry Corporation has two shareholding Ministers, namely the NSW Treasurer and the Minister for Finance, who each hold one share for and on behalf of the NSW Government.

The Board comprises four Non-Executive Directors and the Chief Executive Officer as an Executive Director. All Non-Executive Directors were appointed for the skills they bring to the corporation and are considered independent in accordance with NSW Treasury Guidelines for Boards of Government Businesses.

The Board was appointed on 1 March 2013 for a period of three years. The Directors are:

- Mr James M. Millar AM – Chairman
- Ms Sarah Kearney – Chair Human Resources Sub-Committee
- Mr Geoffrey Applebee – Chair Audit and Risk Sub-Committee
- Mr Noel Cornish – Director
- Mr Nick Roberts – Executive Director.

Primary objectives

The Board complies with the principles and objectives set out in the Board Charter, with the primary objective of building long-term value and benefit for the people of NSW. The Board Charter supports the role of strong corporate governance, ensuring the sustained performance of the corporation and engendering confidence among shareholders and the community in Forestry Corporation's efficiency and environmental sustainability.

Board responsibilities

The Board responsibilities as outlined in the Board Charter include:

- Providing direction and approval of corporate strategies and key performance targets
- Protecting performance and building sustainable value for shareholders
- Monitoring management performance against targets
- Setting, reviewing and ensuring compliance with Forestry Corporation values and governance framework
- Establishing and observing high ethical standards.

Board meetings

During the reporting period, two Board meetings were held.

Member	Number of meetings attended	Number of meetings eligible to attend
Mr James Millar, AM (Chairman)	2	2
Ms Sarah Kearney	2	2
Mr Geoffrey Applebee	2	2
Mr Noel Cornish	2	2
Mr Nick Roberts (Executive Director)	2	2

Board sub-committees

The Board is supported by two sub-committees, the Audit and Risk Sub-Committee and the Human Resources Sub-Committee. Working groups were established to develop charters that set out the sub-committees' roles and responsibilities. No meeting of the Human Resources Sub-Committee was held during the reporting period, however the Human Resources Working Group met on two occasions. A meeting of the Audit and Risk Working Group was held on 18 April as a precursor to the appointment of the Audit and Risk Sub-Committee on 13 May 2013. The Audit and Risk Sub-Committee met in August 2013 to review and recommend to the Board the approval of the Annual Financial Statements.

Statutory information

Charter

Forestry Corporation is constituted under the *Forestry Act 2012*, and is subject to the direction of the Board of Directors. The *Timber Marketing Act 1977* was repealed on 31 December 2012 and the organisation no longer has responsibility for providing control of the sale and use of certain timbers in NSW.

We receive funding from the NSW Government to provide for some specific public land management services. Our primary source of funds is through revenue associated with the sale of timber and the services we provide. Safety and environmental compliance are two important areas of focus in managing the business.

Under the objectives set out in the *Forestry Act 2012*, Forestry Corporation is required:

a. to be a successful business and, to this end:

   i. to operate at least as efficiently as any comparable businesses, and

   ii. to maximise the net worth of the State's investment in the corporation,

b. to have regard to the interests of the community in which it operates,

c. where its activities affect the environment, to conduct its operations in compliance with the principles of ecologically sustainable development contained in section 6 (2) of the *Protection of the Environment Administration Act 1991*,

d. to contribute towards regional development and decentralisation,

e. to be an efficient and environmentally sustainable supplier of timber from Crown-timber land and land owned by it or otherwise under its control or management.

CEO's performance

Mr Roberts is accountable to the Board for performing all the functions of the Executive Director under the *Forestry Act 2012* and for managing the corporation as its Chief Executive Officer.

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 the corporation's objectives.

As Chief Executive Officer, Mr Roberts was responsible for:

- Ensuring the smooth transition of the organisation from a Public Trading Enterprise to a State Owned Corporation
- Improving efficiency and customer service throughout the corporation and reducing costs. Some of these improvements stemmed from redesigned business processes and restructures in parts of the business
- Safety performance
- Maintaining Forestry Corporation Self Insurer's Licence following a successful surveillance audit by WorkCover NSW in Softwood Plantations Division's Hume Region (now part of Snowy Region)
- Recording a strong financial performance:
  - Earnings Before Interest and Taxes of $28.1 million
  - Dividend payment to NSW Treasury of $9.1 million
- Demonstrating Forestry Corporation's sustainable forest management through continuing certification to the Australian Forestry Standard (AS 4708:2007) and Environmental Management System (ISO 14001:2004).

Name: Nick Roberts BSc (Forestry) (Hons), MSc (Forestry)

Trading name	Forestry Corporation/Forests NSW
Position:	Chief Executive Officer
Period in position:	1 July 2012 to 30 June 2013
Remuneration:	$344 305

James M. Millar AM
Chairman of the Board of Directors
Forestry Corporation of NSW

Consultants

$50 000 or more

Trading name	Subject area	
Mercer Consulting	Human resources management	129 265
Robert McCormack	Management services – Forest Optimisation Project	113 925
		243 190

$50 000 or less

Subject area	
Finance/Accounting	19 413
Information technology	35 280
Management services	179 129
Environmental	99 463
Engineering	32 455
Organisational review	130 312
Training	5480
	501 532

Cost of Annual Report

The total external cost incurred in the production of the Forestry Corporation 2012–13 Annual Report was $14 381 excluding GST. The Annual Report is available on the corporation's website at *www.forestrycorporation.com.au*

Credit card certification

Corporate credit card use is monitored on a monthly basis. Only eligible staff are issued with corporate credit cards to facilitate travel, accommodation and limited purchases. The Chief Executive Officer or relevant senior manager approves all expenses associated with card use.

Credit card use has been in accordance with the Premier's memoranda and Treasurer's directions.

Equal Employment Opportunity

Forestry Corporation values equity and diversity and Equal Employment Opportunity (EEO) is embedded in the development and implementation of all policies and procedures.

Through these policies and practices we implement the following goals and principles:

- A workplace culture displaying fair practices and behaviours
- A workplace free of harassment and discrimination
- Enhanced employment access and participation for EEO groups.

Aboriginal employment strategy

Forestry Corporation's partnerships with local communities are delivering strong results. In 2012–13, through a partnership with Auswide Services in Eden, we supported two school-based Aboriginal trainees through a two-year program that will see them awarded a Certificate II in Forest Growing and Management. These partnerships will continue into 2013–14.

In the north of the State, Forestry Corporation (through group training organisation MEGT) has also supported an Aboriginal year 12 school leaver with a keen interest in forestry to complete a 12-month traineeship in Certificate III in Forest Growing and Management. The traineeship is being completed through TAFE NSW North Coast Institute.

Employee numbers – five year trend

Year ended 30 June	Office based	Field based	Total
2009	446	442	888
2010	416	423	839
2011	402	401	803
2012	396	392	788
2013	366	306	672

Statutory information *(continued)*

Statistical information on EEO target groups

Trends in the representation of EEO Groups

EEO Group	Benchmark or Target	2009	2010	2011	2012	2013
Women	50%	17.10%	17.40%	17.6	17.70%	17.30%
Aboriginal people & Torres Strait Islanders	2.30%	7.80%	8.20%	9.30%	7.90%	6.50%
People whose first language was not English	19%	2.30%	2.70%	1.70%	9.00%	9.00%
People with a disability	N/A	16.00%	15.30%	15.50%	14.00%	14.10%
People with a disability requiring work-related adjustment	1.1% (2011)	0.00%	3.10%	0.40%		
	1.3% (2012)				14.00%	
	1.5% (2013)					14.10%

Trends in the distribution of EEO Groups

EEO Group	Benchmark or Target	2009	2010	2011	2012	2013
Women	100	111	111	105	105	116
Aboriginal people & Torres Strait Islanders	100	71	71	73	74	78
People whose first language was not English	100	N/a	124	N/a	118	119
People with a disability	100	78	78	80	79	78
People with a disability requiring work-related adjustment	100	0	86	N/a	79	78

Finance information

Debt management

At 30 June 2013, Forestry Corporation's total borrowings were $131 million (compared with $133 million in 2011–12). The debt portfolio was sourced entirely through NSW Treasury and is actively managed to limit the cost of funds.

Debt portfolio performance

	Forestry Corporation	Benchmark
Market valuation 30 June 2013*	$143 million	N/A
Generalised cost of funds	6.00%	6.00%

** Market value of debt represents the value if all debt had to be retired and differs from the capital value, which is the value in the financial statements.*

At 30 June 2013, 100 per cent of total debt was charged interest at a fixed rate.

Investment management performance

At 30 June 2013, Forestry Corporation's financial investments were $4.76 million (2012: $0.91 million). The investment portfolio's performance is benchmarked against the NSW Treasury Corporation's hourglass cash facility, consistent with NSW Treasury guidelines and to maximise investment returns while maintaining appropriate risk controls.

An interest amount of $345 993 (2011–12: $172 627) at a yearly rate

Aged analysis

Quarter	Current (ie 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
All suppliers					
September	84 611 053	5 947 845	388 642	267 235	245 479
December	47 472 490	3 823 690	346 473	178 122	145 843
March	42 600 060	3 311 748	330 645	103 954	262 523
June	39 855 466	3 299 579	355 489	132 400	141 144
Small business suppliers					
September	4 978 094	794 819	139 784	11 246	11 334
December	4 506 175	637 659	(2205)	10 821	12 678
March	4 429 728	767 710	46 349	28 183	51 710
June	3 897 837	625 075	51 934	22 701	13 482

Accounts paid on time

Quarter	Target %	Actual %	Actual $	Total amount paid $
All suppliers				
September	90	99.01	91 460 255	90 558 899
December	90	98.70	51 966 618	51 296 180
March	90	99.00	46 608 931	45 911 808
June	90	98.56	43 784 079	43 155 045
Small business suppliers				
September	90	97.26	5 935 277	5 772 913
December	90	99.59	5 165 129	5 143 835
March	90	97.63	5 323 680	5 197 438
June	90	98.09	4 611 029	4 522 912

of 3.69 per cent (2011–12: 4.89 per cent) was received from Treasury Corporation on amounts lodged on their 24 hour call facility.

Subsidiary companies

Under Part 3 of Schedule 1 of the *Public Sector Employment & Management Act 2002*, Forestry Corporation administers and has dominant control of the Forestry Commission Division.

Government Information Public Access (GIPA)

There were 10 valid GIPA applications received from 1 January–30 June 2013. Applications received for the previous six months are reported in NSW Trade & Investment's Annual Report.

Decisions for two of these applications were pending at 30 June 2013 and will be included in next year's report.

The applications predominately sought information on timber volumes and prices and harvest plans.

A number of documents including policies and harvest plans for native forest operations were released proactively and are available on our website.

Number of applications by type of application and outcome*

Media	0
Member of Parliament	1 – access granted in full
Not for profit organisations or community groups	1 – access granted in full
Members of the public (other)	3 – access granted in full 1 – access refused in full 2 – application withdrawn

** More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision.*

Statutory information *(continued)*

Internal audit and risk management

Forestry Corporation has an Internal Audit Charter in place, under which an Audit and Risk Sub-Committee has been established chaired by Mr Geoffrey Applebee, an independent Director on the Board.

Forestry Corporation's risk management framework meets the requirements for State Owned Corporations as set out in the *NSW Treasury Policy TPP 09-5* and *NSW Treasury Circular TC09-08* and Australian/New Zealand Standard Risk Management - principles and guidelines *(AS/NZS 4360: 2004 Risk Management).*

Internal audit functions are undertaken for Forestry Corporation by an external service provider, selected from a short list of preferred providers, based on a tendering process undertaken by NSW Trade & Investment. To ensure independence of the audit process, the external service provider reports to the Audit and Risk Sub-Committee and has access to the Chief Executive Officer as required.

One internal audit was conducted during the year which covered contractor procurement and management. Protected disclosure functions were managed by NSW Trade & Investment prior to 1 January 2013 and are now managed internally by the corporation.

We have a risk matrix in place as part of our risk management strategy. More information on our management of risk can be found in the risk management and insurance section of this report.

Internal Audit and Risk Management Attestation for the 2012–13 Financial Year for the Forestry Corporation of New South Wales, trading as Forestry Corporation

I, Nick Roberts, Chief Executive Officer of Forestry Corporation of New South Wales am of the opinion that the Forestry Corporation of New South Wales, has internal audit and risk management processes in place that are, in all material respects, compliant with the core requirements set out in Treasury Circular TC 09/08 Internal Audit and Risk Management Policy. These processes provide a level of assurance that enables the senior management of the Forestry Corporation of New South Wales to understand, manage and satisfactorily control risk exposures.

During 2012–13 only one internal audit was conducted, reflecting changes involved in the corporatisation process and the appointment of the Board. However, independent external and internal audits of business operations under the Australian Forestry Standard and the ISO 14001 Standard were conducted as required.

I, Nick Roberts, Chief Executive Officer of Forestry Corporation of New South Wales am of the opinion that the Audit and Risk Sub-Committee for the Forestry Corporation of New South Wales is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08.

The Chair and members of the Audit and Risk Sub-Committee of the Board are:

- Independent Chair, Geoffrey Applebee, appointed 13 May 2013
- Independent member 1, James Millar, appointed 13 May 2013
- Independent member 2, Sarah Kearney, appointed 13 May 2013
- Independent member 3, Noel Cornish, appointed 13 May 2013

All Audit and Risk Sub-Committee independent members are Non-Executive Board Members. The Internal Audit Charter allows for the Chief Executive Officer, Chief Financial Officer, Company Secretary and Risk Management, Internal Audit and Records Manager to be invited to Audit and Risk Sub-Committee meetings.

On 1 January 2013, the Forestry Corporation became a separate legal entity. Prior to that date the Audit and Risk Committee was that of the NSW Department of Trade and Investment, Regional Infrastructure and Services.

Nick Roberts
CEO

Human resources

As at 30 June 2013, Forestry Corporation employed a total of 672 staff. This figure comprises 366 employees primarily involved in management, administration and technical roles and 306 employees primarily engaged in timber marking, mechanical trades, road construction and maintenance, tree planting and pruning, nursery work, forest conservation and fire protection.

Structural adjustment

Forestry Corporation has continued to review its workforce and internal organisational structures. There were four significant reviews being, the rationalisation of the Radio Services Branch, the abolition of the Timber Inspection Unit and re-alignments of the Government and Community Relations Branch and Finance and Technology Division. These reviews were undertaken to re-engineer business processes and as a result of the repeal of the *Timber Marketing Act 1977*. The tendering of retail nurseries also continued this year, with the successful leasing of the Muswellbrook and Wagga Wagga nurseries.

Salary and wage movement

As part of the corporatisation process a new enterprise agreement was negotiated and took effect on 1 January 2013. The new enterprise agreement replaced any other award, agreement or instrument, which would otherwise have applied. It is geared to meeting the objectives of a corporate organisation and resulted in simplifying the entitlements.

In line with the NSW Public Sector Wages Policy 2011, Forests NSW public servants and Forestry Commission Division employees were all awarded a 2.5 per cent pay increase (to wages and wage related allowances) payable on the first pay period on or after 1 July 2012.

Training and organisational development

During 2012–13, we again made a significant investment in corporate and operational training for staff across the organisation.

Forestry Corporation hosted a cultural change workshop to facilitate a cultural shift to align with the organisation's strategic goals.

We have continued to demonstrate industry best practice by focusing on regular up-skilling and reassessment of core technical skills against units of national competence. To further support this, we completed a review of driver training to ensure staff are adequately skilled to undertake driving tasks.

Further reviews of organisational development are planned for 2013–14.

Land disposal

No properties with a value over $5 000 000 were disposed of during the year.

Documents relating to property disposals completed by Forestry Corporation are available for access under the *Government Information (Public Access) Act 2009*.

Legislation and legal issues

On 1 January 2013, the *Forestry Act 1916* and the Forestry Regulation 2009 were repealed and replaced by the *Forestry Act 2012* and the Forestry Regulation 2012. The *Forestry Act 2012* also repealed the *Timber Marketing Act 1977* and the Timber Marketing Regulation 2010.

There were no major legal proceedings involving the former Forestry Commission or Forestry Corporation concluded during the year ending 30 June 2013.

Equity and diversity program

Forestry Corporation is committed to the principles of equity and diversity. Our initiatives under this program were incorporated into NSW Trade & Investment Multicultural Policies and Services Plan prior to corporatisation and reported on in the NSW Trade & Investment Annual Report. Following corporatisation, the organisation is reviewing the program to determine what is required for the corporation to ensure that the principles of equity and diversity are upheld.

Forestry Corporation provides free access to all State forests. Access to State forests is only restricted during harvesting operations, extreme weather conditions or special events.

Overseas visits

In December 2012 the Chief Forester, Ross Dickson, travelled to New Zealand to attend the Radiata Pine Breeding Company Board and Committee meetings. In January 2013 Warlpa Thompson, an Aboriginal Cultural Heritage Officer based in Wauchope, attended the World Archaeological Congress held in Jordan to present a paper entitled 'Joint methods and approaches in NSW community heritage research: One voice?'.

Privacy management

Forestry Corporation respects the privacy of our employees and members of the public who use our services and complies with the requirements of the *Privacy and Personal Information Protection Act 1998* (PPIPA) and the *Health Records and Information Privacy Act 2002*.

No complaint was received for Forestry Corporation (or Forests NSW) in 2012–13 as defined in Part 5 of PPIPA.

Requests for access to forestry information held by the corporation may be made to the Privacy Management Officer, PO Box 100, Beecroft NSW 2119.

Research and development

NSW Department of Primary Industries (NSW DPI) provides research and development services to Forestry Corporation under a Memorandum of Understanding (MOU). There are four main programs: Forest Biosecurity and Resource Assessment; Forest Ecology; New Forests; and Biometric Services.

Research activities include:

- Completion of the annual aerial and ground surveys of the plantation estate for outbreaks of pests and diseases
- Successful establishment of the parasitoid wasp (*Diaeretus essigellae*) for the biological control of the Monterey pine aphid (*Essigella californica*)
- Operational adoption of high spatial resolution remote sensing technologies, including LiDAR and camera photogrammetry, for forest planning, resource assessment, yield modelling and forest health
- Scientifically-based monitoring of biodiversity in native and plantation forests to support operational planning, impact assessment, development of amelioration strategies, reporting obligations, auditing and compliance requirements

Statutory information *(continued)*

- Quantifying the carbon stored in forest products in NSW, including the development of new benchmark decay factors for paper and composite wood products in landfills
- Quantification of the greenhouse emission reductions achieved by substituting non-wood products with wood products in house construction
- Assessment of carbon stocks and fluxes using a whole of life assessment in managed native forests
- Improved allometrics (the study of the relative size of tree parts) for estimating biomass for commercial native species
- Quantifying the benefits of an early non-commercial thinning and pruning regime on dryland forest plantations in the upper Hunter Valley
- Biometrical support to ensure statistically robust research and monitoring programs covered by the MOU.

Research is also performed by our Land Management & Forestry Services Division and we are a partner of the Bushfire Cooperative Research Centre and supporting partner of the Bushfire Cooperative Research Centre for Forestry.

Responding to community concerns

Forestry Corporation has received representations from the community about neighbour, environmental and customer issues and concerns. Further details can be found in the Supplementary Sustainability Indicator Data 2012–13 available online at *www.forestrycorporation.com.au*

A Good Neighbour Policy is also available from our website, which outlines our commitment to developing and maintaining strong relations with our neighbours.

Where representations cannot be resolved with frontline staff, complaint handling information is available on our website.

Risk management and insurance

Risk management

Risks identified and management strategies put in place include:

Bushfire

Forestry Corporation has implemented recommendations from an external review of major fire management completed in 2011. The focus has been on consistency of training and improving monitoring of staff competencies. We undertook pre-season training days across the State, cementing the well received scenario based training model.

As part of normal fire management practices, we maintain high levels of fire planning, preparedness and suppression capacity. Risk mitigation strategies include early detection through a network of fire towers, patrols on high fire danger days, integrated communications, technical applications such as the Lightning Strike Detection System and use of satellite infrared imagery. This is supported by well trained staff (including casual labour) available for immediate deployment using a heavy and light tanker fleet, supported by a fleet of earth moving heavy machinery and contract aircraft.

Outside the fire season, fuel loads in the forests are maintained through prescribed burning or grazing. An extensive network of roads and fire trails is also maintained.

Pests and diseases

Forestry Corporation undertakes systematic health surveys of the planted forest estate to assess forest health and to detect exotic incursions and possible outbreaks of pests and diseases of forests and timber. Reports on health surveys detail the location, extent and severity of detected damaging pests, diseases, weeds and climatic factors with recommended corrective actions.

Storm damage

Severe storms can damage trees, particularly young plantations. Thinning programs are designed to reduce susceptibility to wind-throw damage. The impact of storms during the reporting period was limited, with some hardwood plantations on the north coast affected. Forestry Corporation has the capacity to quickly salvage wind and storm-damaged plantations and establish new forest.

Flood damage

Extreme storm conditions with resulting flooding cause damage to roads and limit productive harvesting capacity. Robust planning controls and strategies allow for flexibility in operations.

Meeting supply commitments

Effective strategic and tactical operational planning is undertaken to meet commitments in Wood Supply Agreements. Appropriate science and technological tools and skill sets are employed in developing harvesting plans.

Significant downturn in timber demand

Forestry Corporation has no ability to control market demand and limited ability to reduce operating costs when volumes fall. To limit financial impacts, Forestry Corporation is diversifying product mix and participating in industry-wide campaigns to promote the use of wood.

Loss of information

Disaster recovery of key systems and information security is addressed through a steering group reporting to the senior management team.

Business failure of a major customer

The internationalisation of ownership in the NSW softwood industry has seemingly guaranteed that collapse of one of the major processors is unlikely. The global owners of these facilities have strong financial resources. In the hardwood sector, 25–30 per cent of Forestry Corporation's trade is with one major customer. This customer is a large national building products company. The corporation, through its credit policy and financial management, maintains adequate levels of security (from partially secured, to fully secured, to pay-in-advance and bank guarantees), monitors customers' accounts and checks financial health and credit-worthiness of customers.

Strategies are in place for other risks identified in Forestry Corporation's risk register. These risks include:

- Inadequate planning and planning controls
- Inadequate health and safety
- Lack of harvest and haulage contractors
- Environmental sustainability
- Loss of commercial viability
- Failure to meet social responsibilities
- Poor management and access to information
- Inadequate or inappropriate workforce management.

Insurance

Forestry Corporation maintains extensive insurance coverage. Policies in place for the year were for Combined General Liability, Excess Liability, Motor Vehicle, Industrial Special Risks, Group Personal Accident (Volunteers), Corporate Travel, Marine Cargo and Professional Indemnity.

Directors and officers liability

These were sourced from the local insurance markets at competitive rates. Forestry Corporation continues to be licensed by WorkCover NSW to be self-insured for all staff. In addition, we also hold a Workers Compensation Excess Policy providing cover for abnormal Workers Compensation claims.

Waste management

Forestry Corporation manages waste, recycling and procurement in line with the NSW Government Waste Reduction and Purchasing Policy (WRAPP) commitment in the NSW Government Sustainability Policy, which sets targets for resource use, disposal and procurement across energy, water, fleet and waste.

More information on waste management is contained in the supplementary sustainability information available on our website.

Our fleet fuel consumption and emissions have been reduced throughout the last year through:

- A reduction in large six cylinder passenger vehicles
- An overall reduction in the number of light vehicles in our fleet, including vehicles for summer casuals, pool vehicles and relief vehicles.

A focus on good driving practices amongst staff has also contributed to savings. These include:

- Driving slower and to the conditions – travelling at moderate, steady speeds and avoiding high speeds as they result in greater emissions
- Regular servicing and vehicle maintenance to ensure the vehicle is tuned to the manufacturer's maintenance specifications
- Removing excess weight from vehicles. For example – equipment in the boot/back of truck
- Checking tyre pressure regularly.

Workers compensation

Workers compensation	2012–13 Treasury managed fund	2012–13 Self insured	2011–12 Treasury managed fund	2011–12 Self insured	2010–11 Treasury managed fund	2010–11 Self insured	2009–10 Treasury managed fund	2009–10 Self insured
Number of claims lodged	5	47	6	26	9	41	8	68
Amount spent on claims (including settlements)	$41 729	$769 231	$14 686	$925 482	$15 767	$758 369	$21 420	$1 181 370
Number of permanent impairment claims lodged	0	5	0	5	0	5	0	15
Amount spent on permanent impairment claims	$0	$24 153	$0	$39 125	0	$114 186	0	$112 225
Amount spent on work injury damages settlements	$0	$0	$0	$0	$0	$0	$0	$165 000
Number of claims declined	0	9	1	3	0	3	1	2

Note: Forestry Corporation of NSW held insurance for the 'public sector' workforce with the Treasury Managed Fund from 01/12/2009 to 22/04/2013. Forestry Corporation of NSW continued to self insured for the 'fieldworker' workforce during this period. Forestry Corporation of NSW commenced being self insured for the entire workforce again on 23/04/2013.

Annual financial statements 2012—13

Forestry Corporation of NSW (trading as Forestry Corporation of NSW) ABN 43 141 857 613
Consolidated Annual Financial Statements for the year ended 30 June 2013

Forestry Commission Division ABN 83 326 008 792
Annual Financial Statements for the year ended 30 June 2013

Statement of Comprehensive Income

for the year ended 30 June 2013

	Notes	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
Revenue					
Forests sales revenue	4(a)	281 678	293 204	281 678	293 204
Other revenue	4(b)	19 012	14 647	19 012	14 647
Grants revenue	4(c)	9648	9770	9648	9770
Reversal of impairment loss		-	1440	-	1440
Total Revenue		**310 338**	**319 061**	**310 338**	**319 061**
Expenses					
Expenses from operations	5	(196 722)	(213 816)	(196 722)	(213 816)
Depreciation and amortisation	11, 14	(9055)	(8540)	(9055)	(8540)
Employee & related		(34 595)	(27 014)	(15 501)	-
Personnel services		(29 819)	(116 390)	(45 374)	(150 609)
Finance costs	6	(9571)	(9247)	(9571)	(9247)
(Loss) / Gain on Revaluation / Impairment	11, 13	-	(4660)	-	(4660)
Change in fair value of biological assets less estimated point of sale costs	12	(26 077)	(16 304)	(26 077)	(16 304)
Total Expenses		**(305 839)**	**(395 971)**	**(302 300)**	**(403 176)**
Profit/(Loss) Before Income Tax		**4499**	**(76 910)**	**8038**	**(84 115)**
Income tax (expense)/benefit	7	2723	2488	2723	2488
Profit/(Loss) for the Year		7222	(74 422)	10 761	(81 627)
Items that will not be reclassified to profit or loss					
Other comprehensive income					
Revaluation of property, plant and equipment	11	-	55 053	-	55 053
Defined benefit plan actuarial gains/(losses)	16	26 315	(7 205)	22 776	-
Income tax on other comprehensive income	7	(6832)	(15 885)	(6832)	(15 885)
Total Other Comprehensive Income for the Year, Net of Income Tax		19 483	31 963	15 944	39 168
Total Comprehensive Income/(Loss) for the Year		26 705	(42 459)	26 705	(42 459)

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

Statement of Financial Position

As at 30 June 2013

	Notes	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
ASSETS					
Current Assets					
Cash and cash equivalents	8	20 281	9408	20 281	9408
Trade and other receivables	9	47 850	51 599	47 850	51 599
Inventories	10	3629	3755	3629	3755
Biological assets	12	51 745	54 509	51 745	54 509
Current tax asset		393	1450	393	1450
Total Current Assets		123 898	120 721	123 898	120 721
Non-Current Assets					
Property, plant and equipment	11	1 132 818	1 143 928	1 132 818	1 143 928
Biological assets	12	656 502	679 815	656 502	679 815
Investment assets	13	6646	6845	6646	6845
Intangibles	14	319	537	319	537
Total Non-Current Assets		1 796 285	1 831 125	1 796 285	1 831 125
TOTAL ASSETS		1 920 183	1 951 846	1 920 183	1 951 846
LIABILITIES					
Current Liabilities					
Trade and other payables	17	49 138	62 594	49 138	62 594
Borrowings	18	-	6488	-	6488
Dividend provided for	19	9119	5254	9119	5254
Provisions	20	35 948	36 614	35 948	36 614
Current tax liability		-	-	-	-
Total Current Liabilities		94 205	110 950	94 205	110 950
Non-Current Liabilities					
Borrowings	18	130 908	126 976	130 908	126 976
Provisions	20	94 467	132 858	94 467	132 858
Net deferred income tax liability	15	474 540	517 484	474 540	517 484
Total Non-Current Liabilities		699 915	777 318	699 915	777 318
TOTAL LIABILITIES		794 120	888 268	794 120	888 268
NET ASSETS		**1 126 063**	**1 063 578**	**1 126 063**	**1 063 578**
EQUITY					
Contributed equity	21	421 706	421 706	421 706	421 706
Reserves	21	735 006	694 475	735 006	694 475
Retained surplus (accumulated deficit)		(30 649)	(52 603)	(30 649)	(52 603)
TOTAL EQUITY		1 126 063	1 063 578	1 126 063	1 063 578

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2013

Economic Entity	Contributed Equity $'000	Reserve for Deferred Tax Assets $'000	Asset revaluation reserve $'000	Retained Profits / (Loss) $'000	Total equity $'000
Balance as at 1 July 2011	421 706	-	657 549	31 973	1 111 228
Total Comprehensive Income for the Year					
Profit or (loss)	-	-	-	(74 422)	(74 422)
Other Comprehensive Income					
Transfer of asset revaluation reserves to retained profits	-	-	(1890)	1890	-
Defined benefit plan actuarial gains/ (losses)	-	-	-	(7205)	(7205)
Revaluation of property, plant and equipment	-	-	55 053	-	55 053
Revaluation of plant and equipment and building transfer to Investment Property	-	-	(46)	46	-
Income tax recognised on other comprehensive income	-	-	(15 885)	-	(15 885)
Total Other Comprehensive Income	-	-	37 232	(5269)	31 963
Total Comprehensive Income for the Year	-	-	37 232	(79 691)	(42 459)
Transactions Recorded Directly in Equity					
Reversal of deferred tax liabilities on disposal of assets	-	-	-	-	-
Initial recognition of deferred tax asset on employee benefits	-	-	-	-	-
Total Transactions Recorded Directly in Equity	-	-	-	-	-
Transactions with Owners, Recorded Directly in Equity					
Revaluation of property, plant and equipment on transfer to other government agencies (a)	-	-	19	-	19
Land revocation (a)	-	-	(325)	325	-
Land dedication	-	-	-	44	44
Transfer of asset revaluation reserves to retained profits	-	-	-	-	-
Dividends provided for or paid	-	-	-	(5254)	(5254)
Total Transactions with Owners	-	-	(306)	(4885)	(5191)
Balance as at 30 June 2012	421 706	-	694 475	(52 603)	1 063 578

Statement of Changes in Equity

For the year ended 30 June 2013

Economic Entity	Contributed Equity $'000	Reserve for Deferred Tax Assets $'000	Asset revaluation reserve $'000	Retained Profits / (Loss) $'000	Total equity $'000
Balance as at 1 July 2012	421 706	-	694 475	(52 603)	1 063 578
Total Comprehensive Income for the Year					
Profit or (loss)	-	-	-	7222	7222
Other Comprehensive Income					
Transfer of asset revaluation reserves to retained profits	-	-	(4368)	4368	-
Defined benefit plan actuarial gains/ (losses)	-	-	-	19 483	19 483
Revaluation of property, plant and equipment	-	-	-	-	-
Revaluation of plant and equipment and building transfer to Investment Property	-	-	-	-	-
Income tax recognised on other comprehensive income	-	-	-	-	-
Total Other Comprehensive Income	-	-	(4368)	23 851	19 483
Total Comprehensive Income for the Year	-	-	(4368)	31 073	26 705
Transactions Recorded Directly in Equity					
Reversal of deferred tax liabilities on disposal of assets	-	-	1311	-	1311
Initial recognition of deferred tax asset on employee benefits	-	43 588	-	-	43 588
Total Transactions Recorded Directly in Equity	-	43 588	1311	-	44 899
Transactions with Owners, Recorded Directly in Equity					
Revaluation of property, plant and equipment on transfer to other government agencies (a)	-	-	-	-	-
Land revocation (a)	-	-	-	-	-
Land dedication	-	-	-	-	-
Dividends provided for or paid	-	-	-	(9119)	(9119)
Total Transactions with Owners	-	-	-	(9119)	(9119)
Balance as at 30 June 2013	421 706	43 588	691 418	(30 649)	1 126 063

a) In 2012–13, nil hectares (2011-12: 641.12 hectares) were revoked and transferred to other NSW related government agencies
The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2013

Statutory Corporation	Contributed Equity $'000	Reserve for Deferred Tax Assets $'000	Asset revaluation reserve $'000	Retained Profits / (Loss) $'000	Total equity $'000
Balance as at 1 July 2011	421 706	-	657 549	31 973	1 111 228
Total Comprehensive Income for the Year					
Profit or (loss)	-	-	-	(81 627)	(81 627)
Other Comprehensive Income					
Transfer of asset revaluation reserves to retained profits	-	-	(1890)	1890	-
Defined benefit plan actuarial gains/ (losses)					
Revaluation of property, plant and equipment	-	-	55 053	-	55 053
Revaluation of plant and equipment and building transfer to Investment Property	-	-	(46)	46	-
Income tax recognised on other comprehensive income	-	-	(15 885)	-	(15 885)
Total Other Comprehensive Income	-	-	37 232	1 936	39 168
Total Comprehensive Income for the Year	-	-	37 232	(79 691)	(42 459)
Transactions Recorded Directly in Equity					
Reversal of deferred tax liabilities on disposal of assets	-	-	-	-	-
Initial recognition of deferred tax asset on employee benefits	-	-	-	-	-
Total Transactions Recorded Directly in Equity	-	-	-	-	-
Transactions with Owners, Recorded Directly in Equity					
Revaluations of property, plant and equipment on transfer to other government agencies (a)	-	-	19	-	19
Land revocation (a)	-	-	(325)	325	-
Land dedication	-	-	-	44	44
Dividends provided for or paid	-	-	-	(5254)	(5254)
Total Transactions with Owners	-	-	(306)	(4885)	(5191)
Balance as at 30 June 2012	421 706	-	694 475	(52 603)	1 063 578

Statement of Changes in Equity

For the year ended 30 June 2013

Statutory Corporation	Contributed Equity $'000	Reserve for Deferred Tax Assets $'000	Asset revaluation reserve $'000	Retained Profits / (Loss) $'000	Total equity $'000
Balance as at 1 July 2012	421 706	-	694 475	(52 603)	1 063 578
Total Comprehensive Income for the Year					
Profit or (loss)	-		-	10 761	10 761
Other Comprehensive Income					
Transfer of asset revaluation reserves to retained profits	-	-	(4368)	4368	-
Defined benefit plan actuarial gains/ (losses)	-	-	-	15 944	15 944
Revaluation of property, plant and equipment	-	-	-	-	-
Revaluation of plant and equipment and building transfer to Investment Property	-	-	-	-	-
Income tax recognised on other comprehensive income	-	-	-	-	-
Total Other Comprehensive Income	-	-	(4368)	20 312	15 944
Total Comprehensive Income for the Year	-	-	(4368)	31 073	26 705
Transactions Recorded Directly in Equity					
Reversal of deferred tax liabilities on disposal of assets	-	-	1311	-	1311
Initial recognition of deferred tax asset on employee benefits	-	43 588	-	-	43 588
Total Transactions Recorded Directly in Equity	-	43 588	1311	-	44 899
Transactions with Owners, Recorded Directly in Equity					
Revaluation of property, plant and equipment on transfer to other government agencies (a)	-	-	-	-	-
Land revocation (a)	-	-	-	-	-
Land dedication	-	-	-	-	-
Dividends provided for or paid	-	-	-	(9119)	(9119)
Total Transactions with Owners	-	-	-	(9119)	(9119)
Balance as at 30 June 2013	421 706	43 588	691 418	(30 649)	1 126 063

a) In 2012–13, nil hectares (2011–12: 641.12 hectares) were revoked and transferred to other NSW related government agencies
The above Statement of Changes in Equity should be read in conjunction with accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2013

	Notes	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
Cash Flows From Operating Activities					
Receipts					
Cash receipts from customers		343 735	345 430	343 735	345 430
Interest received		649	588	649	588
Payments					
Cash paid to suppliers and employees		(319 656)	(318 925)	(319 656)	(318 925)
Interest paid		(9029)	(8799)	(9029)	(8799)
Income taxes paid		(1097)	(5466)	(1097)	(5466)
Net Cash Flows From/(Used In) Operating Activities	8	14 602	12 828	14 602	12 828
Cash Flows From Investing Activities					
Receipts					
Proceeds from sale of property, plant & equipment		6419	3545	6419	3545
Payments					
Acquisition of property, plant and equipment		(2339)	(2843)	(2339)	(2843)
Acquisition of subsidiary		-	-	-	-
Net Cash Flows From/(Used In) Investing Activities		4080	702	4080	702
Cash Flows From Financing Activities					
Receipts					
Proceeds from borrowings		-	1014	-	1014
Payments					
Repayment of borrowings		(2556)	-	(2556)	-
Dividends paid	19	(5254)	(14 000)	(5254)	(14 000)
Net Cash Flows From/(Used In) Financing Activities		(7 810)	(12 986)	(7 810)	(12 986)
Net Increase/(Decrease) in Cash and Cash Equivalents		10 872	544	10 872	544
Opening cash and cash equivalents at 1 July		9408	8864	9408	8864
Closing Cash And Cash Equivalents at 30 June 2013	8	20 281	9408	20 281	9408

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Note 1: Corporate Information

Forestry Corporation of NSW ('the Corporation') (ABN 43 141 857 613), previously Forestry Commission of NSW, is a NSW state owned corporation established on 1 January 2013 following the enactment of the *Forestry Act 2012*. For the 12 months ending 30 June 2013, the financial statements of the Corporation include the results of the Forestry Commission of NSW. The address of the Corporation's head office is 121–131 Oratava Avenue, West Pennant Hills, NSW, 2125.

The Corporation is the parent reporting entity and its operations are consolidated with the activities of Forestry Commission Division to form the economic reporting entity. The Forestry Commission Division is a special purpose service entity pursuant to Part 3 of Schedule 1 of the *Public Sector Employment & Management Act 2002* and the Corporation administers and has dominant control of its day to day operation.

Forestry Commission Division's objective was to provide personnel services to the Corporation. On 22 April 2013, pursuant to the Treasurer's Order and the *Forestry Act 2012*, all employees and their related liabilities were transferred to the Corporation. All current and non-current assets balances were relating to personnel services which were provided to the Corporation up until 22 April 2013.

Following assets and liabilities were derecognised in the books of the Forestry Commission Division due to transfer of the employees.

	Balance as on 22 April 2013 $000
ASSETS	
Current Assets	
Receivables	11 556
Total Current Assets	11 556
Non Current Assets	
Receivables	7766
Total Non-Current Assets	7766
TOTAL ASSETS	19 322
LIABILITIES	
Current Liabilities	
Provision	11 556
Total Current Liabilities	11 556
Non Current Liabilities	
Provision	2108
Superannuation Liability	5 658
Total Non-Current Liabilities	7766
TOTAL LIABILITIES	19 322

The Corporation's principal activities involve planting and regeneration operations, planning and managing harvest operations and marketing and delivering timber products.

The significant accounting policies that have been adopted in the preparation of the financial statements are detailed below.

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Note 2: Summary of Significant Accounting Policies

(a) Statement of Compliance

This general purpose financial report complies with Australian Accounting Standards, which include Australian Accounting Interpretations.

The Corporation's consolidated and parent entity financial statements for the year ended 30 June 2013 were authorised for issue in accordance with a resolution of the directors on 3 September 2013.

(b) Basis of Preparation

This general purpose financial report has been prepared in accordance with the State Owned Corporations Act 1989, Australian Accounting Standards (which include Australian Accounting Interpretations), NSW Treasury Circulars, and the requirements of the *Public Finance and Audit Act 1983* and Public Finance and Audit Regulation 2010.

The Corporation is a for-profit entity and its financial statements are consolidated as part of the NSW Total State Sector Accounts.

The financial statements 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 statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars 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 the revision, and future periods if the revision affects both current and future periods.

Information about assumptions and estimation uncertainties are included in the following notes:

- Note 2 (i) Non-Current Asset Valuations
- Note 2 (s) Provisions
- Note 2 (x) Employee Benefits
- Note 2 (i)(ii) Biological Assets
- Note 16 Employee Defined Benefits

(d) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Corporation and its subsidiary as at and for the period ended 30 June each year (the Group). Interests in associates are equity accounted and are not part of the consolidated Group.

(i) Subsidiaries

Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from their activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) 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)

The Corporation continues under the National Tax Equivalents Regime (NTER) which requires the same taxes, including income tax and goods and services tax, as private sector organisations.

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 Statement of Financial Position. 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.

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 the Corporation 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 the Corporation 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 Statement of Comprehensive Income, 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 GST, except:

- the amount of GST incurred by the Corporation 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.
- Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from or payable to the ATO are presented as operating cash flows.

(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 impaired when the debt is deemed uncollectible. Bad debts are written off as incurred. Credit sales are generally on 7, 14 or 30 days settlement terms.

(g) Inventories, Work in Progress and Seedlings

Inventories and Work in Progress (WIP) are stated at the lower of cost and 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.

Seeds harvested from biological assets are measured at fair value less estimated point of sale costs at the time of harvest. If market determined prices are not available, seeds are measured at value in use. On the initial recognition of seeds at their fair value less point of sale costs, a value is recorded in the Statement of Comprehensive Income.

(h) Property, Plant and Equipment

The Corporation's property, plant and equipment is governed by policy TPP06-6 for capitalisation.

(i) Recognition and Measurement

Items of property, plant and equipment are initially measured at their cost, and are subsequently measured at their fair value in accordance with NSW Treasury Accounting Policy TPP 07-1 Valuation of Physical Non-Current Assets at Fair Value.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost 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 equipment. Borrowings costs related to the acquisition, construction or production of qualifying assets are capitalised.

Notes to and forming part of the financial statements

For the year ended 30 June 2013

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 revenue" in the Statement of Comprehensive Income. 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 the future economic benefits embodied within the part will flow to the Corporation 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 the Statement of Comprehensive Income as incurred.

(iii) Depreciation

Depreciation on property, plant and equipment is recognised in the Statement of Comprehensive Income 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 Corporation 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 years are as follows:

Type of asset	Depreciation Method	Useful Life
Property (other than Land)	Straight Line	10 to 50 years
Other Plant and Equipment	Straight Line	3 to 50 years
Roads and Bridges		
– earthworks	Straight Line	50 years
– paving	Straight Line	15–30 years

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

(i) Non-Current Asset Valuations

Non-current assets are reviewed and assessed periodically at each reporting cycle to assess fair value and impairment.

Valuations for non-current assets were conducted by the Land and Property Information (Valuation Services), covering land, roads, and non forests installations for 30 June 2012.

Valuations for non-current assets are carried out at least every 5 years, or earlier if significant movements in the market values of assets are detected.

(i) Property, Plant & Equipment

Land

All land, being Crown Land and the Corporation owned land, under forests and plantations and under administrative buildings, offices, mechanical workshops and other non-forest installations are carried at fair value.

Fair value is based on current market buying price representing value in use. The Valuation Services supported this basis of valuation by recognising that the Corporation 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 the Corporation.

Roads & Bridges

Major Roads and Bridges had been independently revalued by Valuation Services at 30 June 2012 on the basis of written down replacement cost, which approximates fair value.

Costs of building or significantly upgraded 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 are assessed at 30 June every financial year by management. The carrying value as at 30 June 2013 approximates fair value.

(ii) Biological Assets

Under AASB 141 Agriculture, a biological asset is defined as 'a living animal or plant'. The Corporation assets falling into this category consist of plantation timber (softwood and hardwood) and native forest timber.

The Corporation 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.

The Corporation reports its biological assets at fair value less estimated point-of-sale costs. Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Point-of-sale costs include all costs that would be necessary to sell the assets.

As there is no observable active and liquid market for the Corporation forest assets, the Corporation has, in accordance with the provisions of AASB 141, adopted the Net Present Value (NPV) methodology as the most appropriate alternative for estimating the fair value of its forest assets.

Plantation Timber

The Corporation manages approximately 235 000 (2012 – 235 000) hectares of softwood plantations and 33 000 (2012–33 000) hectares of hardwood plantations. The majority of the Corporation softwood plantation estates comprise radiata pine, from the Highlands to the west of the Great Dividing Range. The hardwood plantations consist mainly of endemic eucalypts and are predominately located on the NSW north coast.

Native Forest Timber

The Corporation manages approximately 1.8 million (2012–1.9million) hectares of native forests. Native forests are predominantly coastal eucalypt forests and smaller areas of red gum in the state's south-west and cypress pine in the state's central west.

Valuation of Biological Assets

The Net Present Value (NPV) methodology

NPV is calculated as the net of the future cash inflows and outflows associated with forest production activities discounted back to current values at the specified pre-tax Weighted Average Cost of Capital (WACC) in accordance with NSW Treasury Accounting Policy TPP 07-4 Commercial Policy Framework: Guidelines for Financial Appraisal.

Under the NPV methodology, valuation changes mainly arise from:

- Changes in timber volume associated with growth and also changes to the overall estate as a result of annual planting and harvesting activity;
- Changes in timber prices;
- Changes in forest production costs; and
- Changes in the WACC rate used in the discounted cash flow calculation.

Assumptions underpinning the NPV calculation are:

- Forest valuations are based on the expected volumes of merchantable timber that will be realised from existing stands, given current management strategies and timber recovery rates;
- Only the current crop is valued. The cash flow analysis is based on the anticipated timing of the harvest of existing stands, which has been developed in the context of sustained yield management;
- Volume increments/decrements are determined both by periodic re-measurement of forest samples and by modelling growth from the date of the most recent measurement to date of harvest;
- Prices used in the NPV calculation are based on the average prices achieved over the previous year, current year, and next year's budget. The use of prior year averages reduces the impact of significant annual pricing variations;
- Ancillary income earned from activities such as the leasing of land for grazing and other occupancy rights is added to the net harvest revenues;
- Costs used in the NPV calculation are based on current operating costs, unadjusted for any increases in operational efficiency which might occur in the future;

The discount rate used is based on the Weighted Average Cost of Capital formula in conjunction with the Capital Asset Pricing Model and a 20-day average of the historical daily yield of 15 years Government bond is used in its calculation. The discount rate is expressed in real terms, before income tax, and has been set with reference to benchmarked forestry industry risk margins relative to overall market risk margins. The use of a 'real' discount rate effectively allows for all prices and costs to be expressed in current dollar terms. The discount rate used for the current year valuation is 8.52% (2012: 8.36%).

Sources of valuation of biological assets

Plantations

The fair value (based on NPV) of the biological assets has been determined by appropriately qualified staff employed by the Corporation using advanced modelling techniques/ methods.

Notes to and forming part of the financial statements

For the year ended 30 June 2013

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 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 date 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 estimated by past experience of actual yields in similar crops.

Native Forests

The gross area of 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 the most recent resource inventory information. It is the intention of the Corporation to update the inventory 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.

(iii) Impairment of other tangible assets

At each reporting date, the Corporation reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets are impaired. 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, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(iv) Impairment of intangible assets

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) Maintenance and Repairs

The Corporation's 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 case the costs are capitalised and depreciated. Other routine operating maintenance, repair and minor renewal costs are also expensed as incurred.

(k) 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 Statement of Comprehensive Income in the year the item is derecognised.

(l) Other Financial Assets

Investments are initially recognised at fair value, less in the case of investments not at fair value through profit and loss, transaction costs. The Corporation determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each month reporting date. Please refer to note 2(q).

(m) Intangible Assets

Software

Software that is acquired or developed by the Corporation which has a finite useful life is measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and

Notes to and forming part of the financial statements

For the year ended 30 June 2013

brands, is recognised in profit or loss as incurred.

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use. The estimated useful life for Software for the current and comparative years is 5 years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(n) Borrowings

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

The Corporation is required to pay an annual Government Guarantee Fee to NSW Treasury relative to the amount of loans at balance date, based upon the differential between an independently assessed, stand alone, credit rating for the Corporation and the NSW Government's AAA rating. The actual fee payable is calculated using factors provided by NSW Treasury each year.

This cost is recorded in the Statement of Comprehensive Income.

(p) Financial Instruments

Recognised financial instruments	Accounting policies	Terms and conditions
Financial Assets		
Cash	Short-term deposits are stated at net realisable value	Cash is deposited at call.
Receivables	Trade receivables are carried at nominal cost	Credit sales 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 Statement of Comprehensive Income where earned.	All investments during the year were at call.
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 30% 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 statement of cash flows, cash includes restricted security deposits, 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 year 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; and

(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

Notes to and forming part of the financial statements

For the year ended 30 June 2013

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, i.e. government bond 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.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Corporation from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at net present value of the expected future net benefit/ (cost) from the contract. These are discounted at the rate of 8.52% (2012: 8.36%), same as used in biological assets valuation.

(t) Leased Assets

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

Finance 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 Statement of Comprehensive Income on a straight-line basis over the lease term.

(u) Dividend

The dividend is calculated according to TPP 09-6 Financial Distribution Policy for Government Businesses. The dividend payable $9 119 000 (2012: $5 254 000) is calculated based on profit / loss adjusted for certain non-cash items.

(v) Revenue Recognition

Revenues are recognised at the 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.

(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

Up until 22 April 2013, public service employees were employed by the Department of Primary Industries (DPI) and fieldworkers by the Forestry Commission Division (FCD). On 22 April 2013, pursuant to the Treasurer's Order and the *Forestry Act 2012*, all employees and their related liabilities were transferred to the Corporation. The employee related liabilities are disclosed as provision of employee benefits as on 30 June 2013.

Salaries & Wages

Salaries & wages is recognised 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

The Corporation 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 2013 for the Corporation. 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*). From 1 January 2013, all employees are covered under the new Forests NSW Enterprise Agreement 2012.

Annual Leave

Liability for annual leave is recognised by the Corporation 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-term annual leave that is not expected to be taken within twelve months is measured at present value in accordance with AASB 119 Employee Benefits. The discount rate used is the yield at the reporting date on 10 year Government bonds.

Long Service Leave

A liability for long service leave is

recognised by the Corporation and is measured in accordance with AASB 119 Employee Benefits 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 at the reporting date on notional government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The long service leave liability is assessed by actuaries at 30 June each year.

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.

Termination benefits

Termination benefits are recognised as an expense when the Corporation is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Corporation has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. In the NSW public service, defined benefit schemes (which are called the Pooled Fund Schemes) include the:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-Contribution Superannuation Scheme (SANCS - Basic Benefit)

The Corporation's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; this benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. Expected future payments are discounted using market yields at reporting date on national government bonds. Terms to maturity and currency match as closely to the estimated future cash outflows.

Calculations are performed by the Pooled Fund's actuary. When the calculation results in a benefit to the Corporation, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Corporation. An economic benefit is available to the Corporation if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Corporation recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all other expenses related to defined benefit plans in employees and related expenses in profit or loss.

The Corporation recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

As of 22 April 2013, the Corporation is the direct employer of all public service employees and fieldworker staff. Consequently, the employee defined benefits Note 16 contains details for all employees as at 30 June 2013.

(y) Investment Assets

The Corporation does not actively trade or engage in the investment property market. It leases offices and other

Notes to and forming part of the financial statements

For the year ended 30 June 2013

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 the Statement of Comprehensive Income when 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.

(z) Adoption of New and Revised Accounting Standards

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Corporation, except for AASB 9 Financial Instruments, which becomes mandatory for the 2014 financial statements and could change the classification and measurement of financial assets. The Corporation does not plan to adopt this standard early and the extent of the impact has not been determined.

NSW Treasury issued NSWTC 13/02 circular which states not to early adopt any of the new or revised Standards or Interpretations.

List of new standards are as follows:

a) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

b) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interest in Other Entities (2011)

c) AASB 13 Fair Value Measurement (2011)

d) AASB 119 Employee Benefits (2011)

The Corporation does not expect the new standards to have a significant impact.

(aa) Comparative Figures

Certain comparative amounts have been reclassified to conform with the current year's presentation. These amendments have no material impact and were made for consistency purposes only.

Note 3:Financial Risk Management

The Corporation have exposure to the following risks from their use of financial instruments:

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

This note presents information about the Corporation's exposure to each of the above risks and the objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Board of Directors of the Corporation has overall responsibility for the establishment and oversight of risk management. The Audit and Risk Committee (sub-committee of the Board) agrees with policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Corporation, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Compliance with policies is reviewed and audited by senior management on a continuous basis.

Credit Risk

Credit risk arises when there is the possibility of the Corporation's debtors defaulting on their contractual obligations, resulting in a financial loss to the Corporation. 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 the Corporation, including cash, receivables and authority deposits. Some collateral is held by the Corporation. The Corporation has not granted any financial guarantees.

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

The credit risk on the financial assets of the Corporation has been recognised in the Statement of Financial Position at the carrying amount, net of any allowance for doubtful debts.

The Corporation has a Credit Policy, which aims to mitigate the credit risk exposure from our sales customers. Customers are assessed for credit worthiness before payment and delivery terms are offered. The Corporation's 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.

The Corporation 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 the Corporation will be unable to meet its payment obligations when they fall due. The Corporation continuously manages this 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. The Corporation 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. The Corporation 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. The Corporation has only minimal exposure to foreign currency risk and does not enter into commodity contracts.

Interest rate risk

Exposure to interest rate risk arises primarily through the Corporation's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with NSW Treasury Corporation (NSW TCorp.). The Corporation does not account for any fixed rate financial instruments at fair value through the Statement of Comprehensive Income or as available for sale. Therefore for these financial instruments, a change in interest rates would not affect the Statement of Comprehensive Income or equity. A reasonable possible change of +/- 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.

The Corporation's exposure to interest rates is set out in notes 8 and 22. Exposures arise from liabilities bearing variable interest rates as the Corporation 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 TCorp. The assets or liabilities are held until maturity.

Other price risk – TCorp. Hour Glass Investment facilities

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

The Corporation only holds units in the Hour Glass Investment Cash Facility trust. This trust only invests in Cash and money market instruments that have an investment horizon up to 1.5 years (June 2012 – Up to 1.5 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. NSW TCorp. has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. However, NSW 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 the Corporation's 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 NSW 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 and forming part of the financial statements

For the year ended 30 June 2013

Note 4: Revenue

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
Revenue				
a) Forest sales revenue				
Sale of timber and related products	281 678	293 204	281 678	293 204
Total Forest sales revenue	281 678	293 204	281 678	293 204
b) Other revenue				
Other Services Rendered	12 623	10 663	12 623	10 663
Rental Income from Investment Properties	175	123	175	123
Other Rental	3955	4250	3955	4250
Gain/(Loss) on disposal on Non-Current Assets	1610	(977)	1610	(977)
Interest Received	649	588	649	588
Total Other revenue	19 012	14 647	19 012	14 647
c) Grants revenue				
Community service obligations	9407	9402	9407	9402
Other state government grants	241	368	241	368
Total Grants revenue	9648	9770	9648	9770
Total Revenue	310 338	317 621	310 338	317 621

Community Services and Government Grants

The Corporation Community Service and Government Grants totalled $9 647 942 (2012: $9 769 774). Grants included capital and revenue components, which are detailed in the following notes:

(i) Community Service Obligations (CSO)

In 2012–13, the Corporation incurred $9 406 727 (2012: $9 401 646) costs for services which include provision of recreation facilities, education and advisory services, government liaison and regulatory services, community fire protection and research. The State Government contributed $9 557 000 (2012: $9 557 000) towards the cost of providing Community Services and any unspent CSO grants are carried forward to the next financial year for on-going projects. The contribution utilised were included in the financial statements as revenue. The costs are incurred are included in operating expenditure in Note 5.

(ii) Other Government Grants

The State Government also paid the Corporation $241 215 (2012: $368 128) for the performance of specific services including tasks associated with the Interim Assessment Process and related Comprehensive Resource Assessments.

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Note 5: Expenses from Operations

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
Operating Expenses				
Contract harvest and haulage	134 698	142 765	134 698	142 765
Contractors	21 749	20 664	21 749	20 664
Fees	5669	12 216	5669	12 216
Materials	14 864	16 735	14 864	16 735
Occupancy costs	2103	2182	2103	2182
Other	(208)	(728)	(208)	(728)
Plantation establishment costs	15 080	16 937	15 080	16 937
Travel and Accommodation	1569	1897	1569	1897
Telephone and Communication costs	1198	1148	1198	1148
Total Operating Expenses	196 722	213 816	196 722	213 816

Note 6:Financing Costs

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
Interest Expense	7560	7743	7560	7743
Government Guarantee Fee	2011	1504	2011	1504
Financing Costs Recognised in Comprehensive Income	9571	9247	9571	9247

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Note 7: Income Tax Expense

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
Current Tax Expense / (Benefit)				
Current Period	2229	3781	2229	3781
Prior Year	(74)	(328)	(74)	(328)
Deferred Tax Expense / (Benefit)				
Origination and reversal of temporary differences	1873	(5621)	1873	(5621)
Prior Year	81	(320)	81	(320)
Total Income Tax Expense / (Benefit)	4109	(2488)	4109	(2488)
Numerical reconciliation between tax expense and pre-tax accounting profit				
Pre-Tax Accounting Profit / (Loss)	4499	(76 910)	8038	(84 115)
Income tax using the statutory rate of 30%	1350	(23 073)	2412	(25 235)
Aggregate income tax expense relation to timing difference and non deductible/non assessable items	(3737)	20 520	(4799)	22 682
Prior Year	81	65	81	65
Pre-CGT Gain	(341)	-	(341)	-
Under/(Over) prior year	(76)	-	(76)	-
Income Tax Expense / (Benefit)	(2723)	(2488)	(2723)	(2488)
Income tax on actuarial gain / (loss)	6832	-	6832	-
Total Income Tax Expense / (Benefit)	4109	(2488)	4109	(2488)

Tax Recognised Directly in Equity

Economic Entity and Statutory Corporation	2013			2012		
	Before tax $'000	Tax (expense) / benefit $'000	Net of tax $'000	Before tax $'000	Tax (expense) / benefit $'000	Net of tax $'000
Transfer of asset revaluation reserves to retained profit	1311	-	1311	-	-	-
Initial Recognition of Employee Benefits	43 588	-	43 588	-	-	
	44 899	-	44 899	-	-	-

Tax Recognised in Other Comprehensive Income

Economic Entity and Statutory Corporation	2013			2012		
	Before tax $'000	Tax (expense) / benefit $'000	Net of tax $'000	Before tax $'000	Tax (expense) / benefit $'000	Net of tax $'000
Revaluation of property, plant and equipment	-	-	-	53 163	(15 885)	37 278
	-	-	-	53 163	(15 885)	37 278

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Note 8: Cash and Cash Equivalents

Details regarding credit risk, liquidity risk and market risk arising from financial statements are disclosed in Note 3 and 22.

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
a) Reconciliation of Cash and Cash Equivalents				
Cash at bank	15 502	7943	15 502	7943
Cash on hand	23	27	23	27
NSW Treasury Corporation Hour Glass Cash Facility	4756	910	4 756	910
Restricted security deposits	-	528	-	528
Investment	-	-	-	-
Balance as per Statement of Cash Flows	20 281	9408	20 281	9408

The NSW Treasury Corporation Hour Glass cash facility has been subject to floating interest rates between 3.69% and 4.35% (2012: 4.89% and 5.25%)

b) Reconciliation of net profit after tax to net cash flows from operations				
Net Profit/(loss) after income tax	7222	(74 422)	10 761	(81 627)
Add/(less) non cash items:				
Depreciation	9055	8540	9055	8540
Reversal of impairment loss	-	(1440)	-	(1440)
(Profit)/loss on disposal of non-current assets	(1610)	977	(1610)	977
(Increment)/Decrement in fair value of biological assets	26 077	16 304	26 077	16 304
Income tax expense	(2723)	(2488)	(2723)	(2488)
Other non-cash items	26 315	(2088)	22 776	5117
	64 336	(54 617)	64 336	(54 617)
Change in operating assets and liabilities				
Movement in receivables	3749	(3353)	3749	(3353)
Movement in inventories	126	(736)	126	(736)
Movement in creditors	(13 456)	2591	(13 456)	2591
Movement in provisions	(39 056)	74 409	(39 056)	74 409
Movement in income tax	(1097)	(5 466)	(1097)	(5466)
	(49 734)	67 445	(49 734)	67 445
Net cash from / (used by) operating activities	14 602	12 828	14 602	12 828

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Note 9: Trade and Other Receivables

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 3 and 22.

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
Trade Receivables	44 169	49 323	44 169	49 323
Less: Allowance for impairment	(1999)	(1965)	(1999)	(1965)
	42 170	47 358	42 170	47 358
Other Debtors	2617	2421	2617	2421
Prepayments	3063	1820	3063	1820
Total Receivables	47 850	51 599	47 850	51 599

During the year bad debts amounting to $9526 (2012: $971 591) were written off.

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
Allowance for impairment				
Carrying amount at the beginning of the year	(1965)	(2469)	(1965)	(2469)
Additional provisions made in the year	(44)	972	(44)	972
Amounts used during the year	10	58	10	58
Unused amounts reversed during the year	-	(526)	-	(526)
Carrying amount at the end of the year	(1999)	(1965)	(1999)	(1965)

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

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
0-30 Days	25 930	28 299	25 930	28 299
0-30 Days (Considered Impaired)		209		209
31-60 Days (Past due but not impaired)	15 326	18 330	15 326	18 330
31-60 Days (Considered impaired)		-		-
61-90 Days (Past due but not impaired)	373	271	373	271
61-90 Days (Considered impaired)	45	7	45	7
> 90 Days (Past due but not impaired)	543	459	543	459
> 90 Days (Considered impaired)	1952	1748	1952	1748
Total	44 169	49 323	44 169	49 323

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Note 10: Inventories

The basis for valuation of inventories is set out in Note 2(g)

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
Materials and Parts – at cost	-	-	-	-
Work in progress and finished goods	3629	3755	3629	3755
Seedlings carried at fair value less costs to sell	-	-	-	-
Total Inventories	3629	3755	3629	3755

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Note 11: 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
Gross at 1 July 2011	999 157	1683	28 986	96 019	35 192	1921	1 162 958
Accumulated depreciation and impairment	-	-	(15 539)	(34 130)	(12 067)	-	(61 736)
Net carrying amount at 1 July 2011	999 157	1683	13 447	61 889	23 125	1921	1 101 222
Additions	-	-	-	-	-	2843	2843
Transfers from WIP	-	-	1752	703	2011	(4466)	-
Transfers (to)/from Investment Property	39	(96)	111	-	-	-	54
Asset Dedications	44	-	-	-	-	-	44
Asset Revocation	(168)	-	-	-	-	-	(168)
Disposals	(790)	-	(275)	(1239)	(1837)	-	(4141)
Depreciation expense	-	-	(778)	(2723)	(4818)	-	(8319)
Revaluation loss/income	190	1	(705)	(1407)	(2179)	-	(4100)
(Impairment Loss) / Reversal of Impairment Loss	-	-	1078	-	362	-	1440
Revaluation recognised in ARR	38 181	311	2967	13 554	40	-	55 053
Net carrying amount at 30 June 2012	1 036 653	1899	17 597	70 777	16 704	298	1 143 928
Gross book value	1 036 653	1899	31 389	109 782	24 539	298	1 204 560
Accumulated depreciation and impairment	-	-	(13 792)	(39 005)	(7835)	-	(60 632)
Net carrying amount at 1 July 2012	1 036 653	1899	17 597	70 777	16 704	298	1 143 928
Additions		-	25	-	1933	381	2339
Transfers from WIP	-	-	310	156	24	(490)	-
Transfers (to)/from Investment Property	43	-	156	-	-	-	199
Asset Dedications	-	-	-	-	-	-	-
Asset Revocation	-	-	-	-	-	-	-
Disposals	(4 171)	-	(79)	-	(562)	-	(4812)
Depreciation expense	-	-	(871)	(3542)	(4423)	-	(8836)
Revaluation (loss) / income	-	-	-	-	-	-	-
(Impairment Loss) / Reversal of Impairment Loss	-	-	-	-	-	-	-
Revaluation recognised in ARR	-	-	-	-	-	-	-
Net carrying amount at 30 June 2013	1 032 525	1899	17 138	67 391	13 676	189	1 132 818
Gross book value	1 032 525	1899	31 698	109 938	23 634	189	1 199 883
Accumulated depreciation and impairment	-	-	(14 560)	(42 547)	(9958)	-	(67 065)
Net carrying amount at 30 June 2013	1 032 525	1899	17 138	67 391	13 676	189	1 132 818

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Statutory Corporation	Crown Land $'000	Freehold Land $'000	Buildings $'000	Roads and Bridges $'000	Plant and Equipment $'000	PPE WIP $'000	Total $'000
Gross at 1 July 2011	999 157	1683	28 986	96 019	35 192	1921	1 162 958
Accumulated depreciation and impairment	-	-	(15 539)	(34 130)	(12 067)	-	(61 736)
Net carrying amount at 1 July 2011	999 157	1683	13 447	61 889	23 125	1921	1 101 222
Additions	-	-	-	-	-	2843	2843
Transfers from WIP	-	-	1752	703	2011	(4466)	-
Transfers (to)/from Investment Property	39	(96)	111	-	-	-	54
Asset Dedications	44	-	-	-	-	-	44
Asset Revocation	(168)	-	-	-	-	-	(168)
Disposals	(790)	-	(275)	(1239)	(1837)	-	(4141)
Depreciation expense	-	-	(778)	(2723)	(4818)	-	(8319)
Revaluation loss/income	190	1	(705)	(1407)	(2179)	-	(4100)
(Impairment Loss) / Reversal of Impairment Loss	-	-	1078	-	362	-	1440
Revaluation recognised in ARR	38 181	311	2967	13 554	40	-	55 053
Net carrying amount at 30 June 2012	1 036 653	1899	17 597	70 777	16 704	298	1 143 928
Gross book value	1 036 653	1899	31 389	109 782	24 539	298	1 204 560
Accumulated depreciation and impairment	-	-	(13 792)	(39 005)	(7835)	-	(60 632)
Net carrying amount at 1 July 2012	1 036 653	1899	17 597	70 777	16 704	298	1 143 928
Additions		-	25	-	1933	381	2339
Transfers from WIP	-	-	310	156	24	(490)	-
Transfers (to)/from Investment Property	43	-	156	-	-	-	199
Asset Dedications	-	-	-	-	-	-	-
Asset Revocation	-	-	-	-	-	-	-
Disposals	(4171)	-	(79)	-	(562)	-	(4812)
Depreciation expense	-	-	(871)	(3542)	(4423)	-	(8836)
Revaluation loss/income	-	-	-	-	-	-	-
(Impairment Loss) / Reversal of Impairment Loss	-	-	-	-	-	-	-
Revaluation recognised in ARR	-	-	-	-	-	-	-
Net carrying amount at 30 June 2013	1 032 525	1899	17 138	67 391	13 676	189	1 132 818
Gross book value	1 032 525	1899	31 698	109 938	23 634	189	1 199 883
Accumulated depreciation and impairment	-	-	(14 560)	(42 547)	(9958)	-	(67 065)
Net carrying amount at 30 June 2013	1 032 525	1899	17 138	67 391	13 676	189	1 132 818

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Note 12: Biological Assets

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
Current				
Biological assets at fair value	51 745	54 509	51 745	54 509
Non-Current				
Biological assets at fair value	656 502	679 815	656 502	679 815
Total	708 247	734 324	708 247	734 324

Sensitivity of Fair Value of Softwood Plantations to changes in significant assumptions used in the valuation modelling process

	Change	Current 2013 $'000	Non-Current 2013 $'000	Current 2012 $'000	Non-Current 2012 $'000
Discount Rate (Weighted Average Costs of Capital)	+ 1 %	(237)	(61 802)	(249)	(62 434)
	- 1 %	240	(72 762)	253	73 196
Expected future sales values	+ 5 %	9254	92 535	9290	91 157
	- 5 %	(9254)	(92 535)	(9290)	(91 157)
Expected future costs	+ 5 %	(6667)	(59 710)	(6565)	(57 166)
	- 5 %	6667	59 710	6565	57 166
Expected future changes in volume	+ 5 %	4787	48 166	4886	48 679
	- 5 %	(4787)	(48 166)	(4886)	(48 679)

Economic Entity	Softwood Plantations $'000	Native Forests $'000	Total $'000
Balance at 1 July 2011	750 628	-	750 628
Harvested timber (transferred to inventories)	(28 895)	-	(28 895)
Change in fair value less estimated point of sale costs			
- Due to physical changes	(63 200)	-	(63 200)
- Due to change in discount rate	75 791	-	75 791
Change in fair value less estimated point of sale costs	(16 304)		(16 304)
Balance at 30 June 2012	734 324	-	734 324
Balance at 1 July 2012	734 324	-	734 324
Additions	-	-	-
Reallocations	-	-	-
Harvested timber (transferred to inventories)	(30 123)	-	(30 123)
Change in fair value less estimated point of sale costs			
- Due to physical changes	14 930	-	14 930
- Due to change in discount rate	(10 884)	-	(10 884)
Change in fair value less estimated point of sale costs	(26 077)		(26 077)
Balance at 30 June 2013	708 247	-	708 247

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Statutory Corporation	Softwood Plantations $'000	Native Forests $'000	Total $'000
Balance at 1 July 2011	750 628	-	750 628
Harvested timber (transferred to inventories)	(28 895)	-	(28 895)
Change in fair value less estimated point of sale costs	-	-	-
- Due to physical changes	(63 200)	-	(63 200)
- Due to change in discount rate	75 791	-	75 791
Change in fair value less estimated point of sale costs	(16 304)		(16 304)
Balance at 30 June 2012	734 324	-	734 324
Balance at 1 July 2012	734 324	-	734 324
Additions	-	-	-
Reallocations	-	-	-
Harvested timber (transferred to inventories)	(30 123)	-	(30 123)
Change in fair value less estimated point of sale costs			
- Due to physical changes	14 930	-	14 930
- Due to change in discount rate	(10 884)	-	(10 884)
Change in fair value less estimated point of sale costs	(26 077)		(26 077)
Balance at 30 June 2013	708 247	-	708 247

Biological valuations for Native Forests assets have a nil value due to negative net present values.

Note 13: Investment Assets

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
Investment assets at the beginning of the year	6845	7652	6845	7652
Additions	-	-	-	-
Disposals	-	(193)	-	(193)
Transfer from Buildings/land	-	96	-	96
Transfer to Buildings/land	(199)	(150)	(199)	(150)
Net gain/(loss) from fair value adjustment	-	(560)	-	(560)
Investment assets at the end of the year	6646	6845	6646	6845

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Note 14: Intangibles

(a) Reconciliation of the opening and closing balances of intangibles

Economic Entity	Notes	Software $'000
Gross value at 1 July 2011		1093
Accumulated amortisation and impairment		(337)
Fair value at 1 July 2011		756
Additions		-
Amortisation		(219)
Impairment		-
Fair value at 30 June 2012		537
Gross value at 1 July 2012		1093
Accumulated amortisation and impairment		(556)
Fair value at 1 July 2012		537
Additions		-
Amortisation		(218)
Impairment		-
Fair value at 30 June 2013		319
Gross book value		1093
Accumulated amortisation and impairment		(774)
Fair value at 30 June 2013		319

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Statutory Corporation	Software $'000
Gross value at 1 July 2011	1093
Accumulated amortisation and impairment	(337)
Fair value at 1 July 2011	756
Additions	-
Amortisation	(219)
Impairment	-
Fair value at 30 June 2012	537
Gross value at 1 July 2012	1093
Accumulated amortisation and impairment	(556)
Fair value at 1 July 2012	537
Additions	-
Amortisation	(218)
Impairment	-
Fair value at 30 June 2013	319
Gross book value	1093
Accumulated amortisation and impairment	(774)
Fair value at 30 June 2013	319

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Note 15: Deferred Tax Assets and Liabilities

Economic Entity	Assets		Liabilities		Net	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Property, plant and equipment	(222)	(219)	306 045	307 754	305 823	307 535
Biological Assets	-	-	212 474	220 297	212 474	220 297
Provisions	(37 875)	(4783)	-	-	(37 875)	(4783)
Revenue in advance	(5684)	(5469)	-	-	(5684)	(5469)
Other asset	(198)	(96)	-	-	(198)	(96)
Net deferred tax (assets)/ liabilities	(43 979)	(10 567)	518 519	528 051	474 540	517 484

Statutory Corporation	Assets		Liabilities		Net	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Property, plant and equipment	(222)	(219)	306 045	307 754	305 823	307 535
Biological Assets	-	-	212 474	220 297	212 474	220 297
Provisions	(37 875)	(4783)	-	-	(37 875)	(4783)
Revenue in advance	(5684)	(5469)	-	-	(5684)	(5469)
Other asset	(198)	(96)	-	-	(198)	(96)
Net deferred tax (assets)/ liabilities	(43 979)	(10 567)	518 519	528 051	474 540	517 484

Economic Entity	Balance 30 June 2011	Recognised in profit or loss	Recognised directly in equity	Balance 30 June 2012	Recognised in profit or loss	Recognised in other comprehensive income	Recognised directly in equity	Balance 30 June 2013
Property, plant and equipment	292 503	(853)	15 885	307 535	(401)	-	(1311)	305 823
Biological Assets	225 188	(4891)	-	220 297	(7823)	-	-	212 474
Provisions	(2166)	(2617)	-	(4783)	10 496	-	(43 588)	(37 875)
Revenue in advance	(7984)	2515	-	(5469)	(215)	-	-	(5684)
Other asset	-	(96)	-	(96)	(102)	-	-	(198)
	507 541	(5942)	15 885	517 484	1955	-	(44 899)	474 540

Statutory Corporation	Balance 30 June 2011	Recognised in comprehensive income	Recognised in equity	Balance 30 June 2012	Recognised in profit or loss	Recognised in other comprehensive income	Recognised directly in equity	Balance 30 June 2013
Property, plant and equipment	292 503	(853)	15 885	307 535	(401)	-	(1311)	305 823
Biological Assets	225 188	(4891)	-	220 297	(7823)	-	-	212 474
Provisions	(2166)	(2617)	-	(4783)	10 496	-	(43 588)	(37 875)
Revenue in advance	(7984)	2515	-	(5469)	(215)	-	-	(5684)
Other asset	-	(96)	-	(96)	(102)	-	-	(198)
	507 541	(5942)	15 885	517 484	1955	-	(44 899)	474 540

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Note 16: Employee Defined Benefits

Up until 22 April 2013, public service employees were employed by the Department of Primary Industries (DPI) and fieldworkers by the Forestry Commission Division (FCD). On 22 April 2013, pursuant to the Treasurer's Order and the *Forestry Act 2012*, all employees and their related liabilities were transferred to the Corporation. Actuarial gains and losses are recognised immediately in other comprehensive income in the year in which they occur.

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)
- Police Superannuation Scheme (PSS)
- 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

Financial Year to 30 June 2013	SASS Financial Year to 30 June 2013 A$	SANCS Financial Year to 30 June 2013 A$	SSS Financial Year to 30 June 2013 A$	Total A$
Present value of partly funded defined benefit obligation at beginning of the year	68 585 276	9 449 660	230 920 127	308 955 063
Current service cost	1 185 561	380 739	392 896	1 959 196
Interest cost	2 003 556	270 744	6 900 909	9 175 209
Contributions by Fund participants	728 837	-	408 314	1 137 151
Actuarial (gains)/losses	442 328	(775 223)	(17 230 195)	(17 563 090)
Benefits paid	(3 669 593)	(638 320)	(9 056 201)	(13 364 114)
Past service cost	-	-	-	-
Curtailments	-	-	-	-
Settlements	-	-	-	-
Business Combinations	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of partly funded defined benefit obligation at end of the year	69 275 965	8 687 600	212 335 850	290 299 415

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Reconciliation of the fair value of Fund assets

Financial Year to 30 June 2013	SASS Financial Year to 30 June 2013 A$	SANCS Financial Year to 30 June 2013 A$	SSS Financial Year to 30 June 2013 A$	Total A$
Fair value of Fund assets at beginning of the year	53 244 322	7 956 271	119 656 769	180 857 362
Expected return on Fund assets	4 380 093	650 187	9 853 550	14 883 830
Actuarial gains/(losses)	4 055 013	517 317	9 751 132	14 323 462
Employer contributions	1 593 135	411 716	639 269	2 644 120
Contributions by Fund participants	728 837	-	408 314	1 137 151
Benefits paid	(3 669 593)	(638 320)	(9 056 201)	(13 364 114)
Settlements	-	-	-	-
Business combinations	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of Fund assets at end of the year	60 331 807	8 897 171	131 252 833	200 481 811

Reconciliation of the assets and liabilities recognised in statement of financial position

Financial Year to 30 June 2013	SASS Financial Year to 30 June 2013 A$	SANCS Financial Year to 30 June 2013 A$	SSS Financial Year to 30 June 2013 A$	Total A$
Present value of partly funded defined benefit obligation at end of year	69 275 965	8 687 600	212 335 849	290 299 414
Fair value of Fund assets at end of year	(60 331 808)	(8 897 170)	(131 252 833)	(200 481 811)
Subtotal	8 944 157	(209 570)	81 083 016	89 817 603
Unrecognised past service cost	-	-	-	-
Unrecognised gain/(loss)	-	-	-	-
Adjustment for limitation on net asset	-	-	-	-
Net Liability/(Asset) recognised in statement of financial position at end of year	8 944 157	(209 570)	81 083 016	89 817 603

Expense recognised in income statement

Financial Year to 30 June 2013	SASS Financial Year to 30 June 2013 A$	SANCS Financial Year to 30 June 2013 A$	SSS Financial Year to 30 June 2013 A$	Total A$
Components Recognised in Income Statement				-
Current service cost	1 185 561	380 739	392 896	1 959 196
Interest cost	2 003 556	270 744	6 900 909	9 175 209
Expected return on Fund assets (net of expenses)	(4 380 093)	(650 187)	(9 853 550)	(14 883 830)
Actuarial losses/(gains) recognised in year	-	-	-	-
Past service cost	-	-	-	-
Movement in adjustment for limitation on net asset	-	-	-	-
Curtailment or settlement (gain)/loss	-	-	-	-
Expense/(income) recognised	(1 190 976)	1296	(2 559 745)	(3 749 425)

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Amounts recognised in other comprehensive income

Financial Year to 30 June 2013	SASS Financial Year to 30 June 2013 A$	SANCS Financial Year to 30 June 2013 A$	SSS Financial Year to 30 June 2013 A$	Total A$
Actuarial (gains)/losses	(3 612 685)	(1 292 540)	(26 981 327)	(31 886 552)
Adjustment for limit on net asset	-	-	-	-

Cumulative amount recognised in other comprehensive income

Financial Year to 30 June 2013	SASS Financial Year to 30 June 2013 A$	SANCS Financial Year to 30 June 2013 A$	SSS Financial Year to 30 June 2013 A$	Total A$
Actuarial (gains)/losses	-	-	-	-
Adjustment for limit on net asset	-	-	-	-

Fund assets

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

	30 June13
Australian equities	30.4%
Overseas equities	26.1%
Australian fixed interest securities	6.9%
Overseas fixed interest securities	2.2%
Property	8.3%
Cash	13.1%
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

Financial Year to 30 June 2013	SASS Financial Year to 30 June 2013 A$	SANCS Financial Year to 30 June 2013 A$	SSS Financial Year to 30 June 2013 A$
Actual return on Fund assets	8 286 680	1 167 503	19 820 059

Notes to and forming part of the financial statements

For the year ended 30 June 2013

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 June 13
Salary increase rate (excluding promotional increases)	2.25% (PSS 2.95%)
Rate of CPI Increase	2.5%
Expected rate of return on assets	8.6%
Discount rate	3.8%

c) Demographic Assumptions

The demographic assumptions at 30 June 2013 are those that were used in the 2009 triennial actuarial valuation. The triennial review report is available from the NSW Treasury website.

Historical information

Fund information for current year denotes the consolidated group, which is comprised of field workers and public service employees for the entire year. Due to corporatisation and the transfer of all employees into the Corporation, historical information is not available.

Expected contributions

Financial Year to 30 June 2013	SASS Financial Year to 30 June 2013 A$	SANCS Financial Year to 30 June 2013 A$	SSS Financial Year to 30 June 2013 A$	Total A$
Expected employer contributions to be paid in the next reporting period	1 384 790	372 360	653 302	2 410 452

Funding Arrangements for Employer Contributions

(a) Surplus/deficit

Financial Year to 30 June 2013	SASS Financial Year to 30 June 2013 A$	SANCS Financial Year to 30 June 2013 A$	SSS Financial Year to 30 June 2013 A$	Total A$
Accrued benefits	56 652 266	7 290 823	133 349 600	197 292 689
Net market value of Fund assets	(60 331 808)	(8 897 169)	(131 252 833)	(200 481 810)
Net (surplus)/deficit	(3 679 542)	(1 606 346)	2 096 767	(3 189 121)

Notes to and forming part of the financial statements

For the year ended 30 June 2013

(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	1.60

(c) Funding method

Contribution rates are set after discussions between the employer, STC and NSW Treasury.

(d) Economic assumptions

The economic assumptions adopted for the 2013 actuarial review of the Fund are:

Weighted-Average Assumptions	30 June 13
Expected rate of return on Fund assets backing current pension liabilities	8.3%
Expected rate of return on Fund assets backing other liabilities	7.3%
Expected salary increase rate	2.7%
Expected rate of CPI increase	2.5%

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.

Prior Year Fund Information and Presentation

In financial year 2011/12, employee defined benefit disclosure were made only for field workers (employed by Forestry Commission Division (FCD)) in the Economic Entity column and actuarial losses were disclosed under "other comprehensive income" in the Statement of Comprehensive Income.

Fund information for current year denotes the consolidated group, which is comprised of field workers and public service employees for the entire year due to corporatisation. As a result, comparative fund information for the consolidated group is not available.

The tables below explains the presentation of employee defined benefits liabilities and actuarial gain/(loss) in the financial statements for current and previous financial year:

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Employee defined benefits liabilities	Note 20	Economic Entity 2013	Economic Entity 2012	Statutory Corporation 2013	Statutory Corporation 2012
Before transfer of employees					
Field workers	Employee Benefits	-	10 346 098	-	10 346 098
Public service employees	Personnel services	-	117 751 603	-	117 751 603
After transfer of employees					
Public service employees and field workers	Employee Benefits	89 817 603	-	89 817 603	-

Actuarial gain/(loss)	Disclosed in Statement of Comprehensive Income	Economic Entity 2013	Economic Entity 2012	Statutory Corporation 2013	Statutory Corporation 2012
Before transfer of employees					
Employee & related		-	-	-	-
Personnel services		5 571 650 (a)	(72 405 179)	9 110 719 (c)	(79 610 262)
	Other Comprehensive Income	-	(7 205 083)	-	-
After transfer of employees					
Employee & related and Personnel services		-	-	-	-
Public service employees and field workers	Other Comprehensive Income	26 314 902 (b)	-	22 775 833 (d)	-
Total Actuarial gain/(loss)		31 886 552	(79 610 262)	31 886 552	(79 610 262)

a. Relates to actuarial gain/(loss) of public service employees employed by Department of Primary Industries (DPI) from 1 July 2012 to 22 April 2013.

b. Relates to actuarial gain/(loss) of public service employees employed by DPI from 22 April 2013 to 30 June 2013 and full year for the field workers employed by FCD.

c. Relates to actuarial gain/(loss) of field workers and public service employees, employed by FCD and DPI respectively, from 1 July 2012 to 22 April 2013.

d. Relates to actuarial gain/(loss) of field workers and public service employees, employed by FCD and DPI respectively, from 22 April 2013 to 30 June 2013.

Note 17: Trade and Other Payables

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
Current				
Trade Creditors	30 193	44 364	30 193	44 364
Revenue Received in Advance	18 945	18 230	18 945	18 230
Total Current	49 138	62 594	49 138	62 594
Total Trade and other payables	49 138	62 594	49 138	62 594

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 3 and 22.

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Note 18: Borrowings

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
Current				
NSW Treasury Corporation Loans	-	6488	-	6488
Non-Current				
NSW Treasury Corporation Loans	130 908	126 976	130 908	126 976
Total Borrowings	130 908	133 464	130 908	133 464

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 3 and 22.

Note 19: Dividends Paid/Provided For

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
Provision for dividend at beginning of year	5254	14 000	5254	14 000
Dividend paid	(5254)	(14 000)	(5254)	(14 000)
Dividend provided	9119	5254	9119	5254
Provision for dividend at end of year	9119	5254	9119	5254

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Note 20: Provisions

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
Current				
Employee Benefits	35 428	13 310	35 428	-
Workers Compensation	520	770	520	770
Personnel Services	-	22 534	-	35 844
Total Current	35 948	36 614	35 948	36 614
Non-Current				
Employee Benefits	90 568	10 346	90 568	-
Personnel Services	-	117 931	-	128 277
Onerous contracts	1979	751	1979	751
Workers Compensation	1920	3830	1920	3830
Total Non-Current	94 467	132 858	94 467	132 858
Total Provisions	130 415	169 472	130 415	169 472
Movement in provisions (other than employee benefits)				
Onerous contracts				
- Carrying amount at the beginning of the year	751	1159	751	1159
- additional provisions made in the year	1228	(408)	1228	(408)
- Carrying amount at the end of the year	1979	751	1979	751
Workers Compensation				
- Carrying amount at the beginning of the year	4600	4380	4600	4380
- additional provisions made in the year	-	220	-	220
- amounts used during the year *	(2160)	-	(2160)	-
- Carrying amount at the end of the year	2440	4600	2440	4600
Total Carrying amount of provisions	4419	5351	4419	5351

Those that are current provisions will be settled within 12 months and non-current will be 12 months and beyond. There are no settlements of warranty costs.
** Decrease in workers compensation liability is due to change in Work Cover legislation.*

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Note 21: Capital and Reserves

Contributed Equity

The Corporation has Contributed Equity which represents NSW Government's investment in the Corporation.

Asset Revaluation Reserve

The Asset Revaluation Reserve is used to record increments and decrements in the fair value of property, plant and equipment.

Reserve for Deferred Tax Assets

Up until 22 April 2013, public service employees were employed by the Department of Primary Industries (DPI) and fieldworkers by the Forestry Commission Division (FCD). On 22 April 2013, pursuant to the Treasurer's Order and the *Forestry Act 2012*, all employees and their related liabilities were transferred to the Corporation.

As a result, a specific reserve is created for the initial recognition of deferred tax asset related to the employee benefits including employee defined benefits.

Capital Management Policy

The Corporation is a for-profit entity and it operates under the guidelines and policies set up by NSW Treasury. It is management practice and policy to maintain a strong capital base to sustain future development of the business. Senior management monitors the return on capital as well as the level of debt and dividends payable to NSW Treasury.

Note 22: Financial Instruments

(i) Quantitative Disclosures

		2013	2012
(i) Unrealised Gains/(Losses) from Derivatives	$	N/A	(44 821)

(ii) Contractual Maturity Analysis

2013

Category		< 1 year	1 to 5 years	> 5 years	Cash Flows	Market Value
Fixed Rate Borrowings	$	(7 436 725)	(107 872 664)	(50 956 236)	(166 265 625)	(143 282 718)

2012

Category		< 1 year	1 to 5 years	> 5 years	Cash Flows	Market Value
Fixed Rate Borrowings	$	(12 861 501)	(101 188 903)	(58 435 472)	(172 485 876)	(149 251 472)

(iii) Sensitivity Analysis

Interest Rate Risk

	2013	2012
Approximate increase/(decrease) in fair value of financial liabilities assuming one percentage point decrease (increase) in interest rates	$524 130/ $(524 130)	$653 800/ $(653 800)

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Hour-Class Investment Facilities

	Change in Unit Price	2013	2012
Hour-Glass Cash Facility	+/- 1%	$ +/- 47,557	$ +/- 9,098

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

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.
At 30 June 2013, if interest rates had moved, as illustrated below, with all other variables held constant, post tax profit would have been affected as follows:

Changes in interest rates

	Post tax profit - higher/(lower)	
	2013 $'000	2012 $'000
+/- 1%	+/-918	+/-936

The movements in profit are due to higher/lower interest costs predominately from fixed rate debt and cash balances.

(iv) Net Fair Value of Financial Assets and Liabilities

(a) Off Statement of Financial position

The Corporation have potential financial liabilities which may arise from certain contingencies disclosed in Note 27 - Contingent Liabilities. As explained in the note, the claims cannot be quantified in terms of the likely impact on the carrying value of the Corporation asset.

(b) On the Statement of Financial position

Economic Entity – 2013		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	8	20 281	-	-	-	20 281
Trade and other receivables	9	-	-	-	47 850	47 850
Total Financial Assets		20 281	-	-	47 850	68 131
Financial Liabilities						
Interest bearing loans and borrowings	18	-	86 282	44 626	-	130 908
Trade and other payables	17	-	-	-	49 138	49 138
Total Financial Liabilities		-	86 282	44 626	49 138	180 046
Net Financial Assets/ (Liabilities)		20 281	(86 282)	(44 626)	(1 288)	(111 915)

The carrying values of financial instruments are equal to the fair value except for loans and borrowings where the fair value is $130 907 213.

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Economic Entity – 2012		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	8	9408	-	-	-	9408
Trade and other receivables	9	-	-	-	51 599	51 599
Total Financial Assets		9408	-	-	51 599	61 007
Financial Liabilities						
Interest bearing loans and borrowings	18	6489	76 022	50 953	-	133 464
Trade and other payables	17	-	-	-	62 594	62 594
Total Financial Liabilities		6489	76 022	50 953	62 594	196 058
Net Financial Assets/ (Liabilities)		2919	(76 022)	(50 953)	(10 995)	(135 051)

The carrying values of financial instruments are equal to the fair value except for loans and borrowings where the fair value is $133 459 989.

Statutory Corporation – 2013		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	8	20 281	-	-	-	20 281
Trade and other receivables	9	-	-	-	47 850	47 850
Total Financial Assets		20 281	-	-	47 850	68 131
Financial Liabilities						
Interest bearing loans and borrowings	18	-	86 282	44 626	-	130 908
Trade and other payables	17	-	-	-	49 138	49 138
Total Financial Liabilities		-	86 282	44 626	49 138	180 046
Net Financial Assets/ (Liabilities)		20 281	(86 282)	(44 626)	(1 288)	(111 915)

The carrying values of financial instruments are equal to the fair value except for loans and borrowings where the fair value is $130 907 213.

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Statutory Corporation – 2012		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	8	9408	-	-	-	9408
Trade and other receivables	9	-	-	-	51 599	51 599
Total Financial Assets		9408	-	-	51 599	61 007
Financial Liabilities						
Interest bearing loans and borrowings	18	6489	76 022	50 953	-	133 464
Trade and other payables	17	-	-	-	62 594	62 594
Total Financial Liabilities		6489	76 022	50 953	62 594	196 058
Net Financial Assets/(Liabilities)		2919	(76 022)	(50 953)	(10 995)	(135 051)

The carrying values of financial instruments are equal to the fair value except for loans and borrowings where the fair value is $133 459 989.

(c) Other Qualitative Disclosures

Managed debt portfolios

NSW Treasury Corporation (TCorp.) manages interest rate risk exposures applicable to specific borrowings of the Corporation 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 on behalf of the Corporation to add value by achieving a reduction in the Corporation 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 $130.9 million (2012: $133.5 million).

Hour-Glass Investment Facilities

The Corporation 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 (TCorp.) 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 and forming part of the financial statements

For the year ended 30 June 2013

Note 23: Operating Leases

At balance date the Corporation had operating lease/rental agreements as Lessee totalling $11 435 036 (2012: $10 287 106). These agreements relate to occupancy of land, offices and equipment throughout the State. The Corporation had no other material lease and hire purchase agreements.

Operating lease expenses

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
Not later than one year	1220	977	1220	977
Later than 1 year and not later than five years	3278	2455	3278	2455
Later than 5 years	6937	6855	6937	6855
Total (including GST)	11 435	10 287	11 435	10 287

At balance date the Corporation had operating lease/rental agreements as lessor totalling $10 897 049 (2012: $24 905 308). These agreements relate to occupancy of buildings and land throughout the State. The Corporation had no other material lease and hire purchase agreements.

Operating lease rental income

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
Not later than one year	1106	1433	1106	1433
Later than 1 year and not later than five years	3005	5976	3005	5976
Later than 5 years	6786	17 497	6786	17 497
Total (including GST)	10 897	24 906	10 897	24 906

Note 24: Commitments

At balance date the Corporation has the following commitments not later than one year:

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
Capital	97	11	97	11
Operating	627	2228	627	2228
Total Commitments (a)	724	2239	724	2239

(a) All commitments are expected to be expended in the next financial year and include input tax credits of $65 818 (2012: $203 540)
***NB: All commitments are those of the Corporation, therefore, the above table reflects the position of both the Corporation and the Consolidated Entity.*

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Note 25: Related Parties

Up until 22 April 2013, the Corporation's related party for trading was Forestry Commission Division.

The supply and continued use of resources and shared services from the Forestry Commission Division are based on signed Memorandums of Understanding. Related party transactions are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions.

(i) Statement of Comprehensive Income

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
Forestry Commission Division - Supply of Personnel Services - Expense	-	-	15555	34219
Total	-	-	15555	34219

(ii) Statement of Financial Position – Current Liabilities

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
Forestry Commission Division	-	-	-	(13310)
Total	-	-	-	(13310)

(iii) Statement of Financial Position – Non-Current Liabilities

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
Forestry Commission Division	-	-	-	(10526)
Total	-	-	-	(10526)

Subsidiaries

The consolidated financial statements include the financial statements of the subsidiaries listed in the following table

	Country of Incorporation	% Control Interest 2013	% Control Interest 2012	Investment $'000 2013	Investment $'000 2012
Forestry Commission Division*	Australia	100%	100%		-
Total		-	-	-	-

*Special purpose entity consolidated under AASB interpretation 112

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Key Management Personnel

Board of Directors

James Millar AM	Chairman (Non-Executive, Appointed 1/03/2013)
Noel Cornish	Board Member (Non-Executive, Appointed 1/03/2013)
Geoffrey Applebee	Board Member (Non-Executive, Appointed 1/03/2013)
Sarah Kearney	Board Member (Non-Executive, Appointed 1/03/2013)
Nick Roberts	Chief Executive Officer, Forestry Corporation of NSW

Senior Management Team

Nick Roberts	Chief Executive Officer, Forestry Corporation of NSW
Anshul Chaudhary	Chief Financial Officer
Dean Anderson	General Manager Hardwood Forests
Ian Brown	General Manager Softwood Forests
Ross Dickson	Chief Forester and Company Secretary

	2013 $'000	2012 $'000
Short-Term Employee Benefits	1506	1423
Termination Benefits	-	34

All transactions by the Corporation 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 2013, the Corporation has not raised any provision for doubtful debts relating to amounts owed by key management personnel (2012: nil).

Note 26: Auditors' Remuneration

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	Statutory Corporation 2013 $'000	Statutory Corporation 2012 $'000
Audit Office of NSW - Audit of financial statements	370	385	370	385

Notes to and forming part of the financial statements

For the year ended 30 June 2013

Note 27: Contingent Liabilities/Assets

During the 2012–2013 year 776 532 hectares (2011–12, 525 037 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.

There are several contractual disputes open at year end. Legal fees to settle these claims should they proceed are estimated at $35 000. The quantum of each claim is in dispute and the outcome cannot be measured reliably. Some inflow of economic benefits may result from these claims. However, at this stage, the inflow is not considered probable.

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

The Corporation 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.

As at Statement of Financial Position date, The Corporation has no contingent assets.

Note 28: Consultants

The Corporation engaged consultants to undertake activities, which require specialist or independent skills. In 2013 the total cost for consultants was $744 722 (2012: $455 560).

Note 29: After Balance Date Events

The final set of accounts has been prepared for Forestry Commission Division a subsidiary of the Corporation.

Until the *Government Sector Employment Act 2013* is amended to remove Forestry Commission Division, it will continue as a dormant entity with no trading activities, nil balances for assets, liabilities and equity.

Application will be filed for exemption from the requirements of preparing and submission of financial statements for the financial year 2013–2014 onwards.

End of the Audited Financial Statements

Directors' declaration

Pursuant to Section 41C (1B) and (1C) of the *Public Finance and Audit Act 1983*, the *Forestry Act 2012* and in accordance with a resolution of the Board of Directors, we declare on behalf of Forestry Corporation of New South Wales that in our opinion:

a. The accompanying financial statements and notes thereto exhibit a true and fair view of the financial position of the Corporation and the Economic Entity as at 30 June 2013 and of their financial performance, as represented by the results of their operations and their cash flows, for the year ended on that date.

b. The financial statements have been prepared in accordance with Australian Accounting Standards and interpretations, the *State Owned Corporations Act 1989*, the *Public Finance and Audit Act 1983* and the Public Finance and Audit Regulations 2010.

c. At the date of this statement, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

d. We are not aware of any circumstances at the date of this declaration that would render any particulars included in the financial report to be misleading or inaccurate.

James M. Millar AM
Chairman
Dated this 3rd day of September, 2013

Nick Roberts
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

Forestry Corporation of New South Wales

To Members of the New South Wales Parliament and Members of Forestry Corporation of New South Wales

I have audited the accompanying financial statements of Forestry Corporation of New South Wales (the Corporation), which comprise the statements of financial position as at 30 June 2013, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors declaration of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation and the consolidated entity as at 30 June 2013, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act), *Forestry Act 2012*, *State Owned Corporations Act 1989* and the Public Finance and Audit Regulation 2010.

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

Directors' Responsibility for the Financial Statements

The directors of the Corporation are responsible for the preparation of financial statements that give a true and fair view in accordance with Australian Accounting Standards, the PF&A Act and the *State Owned Corporations Act 1989* and for such internal control as the directors determine is necessary to enable the preparation of financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those 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 statements are free from material misstatement.

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

I believe 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 Corporation and the consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 roles by the possibility of losing clients or income.

Peter Barnes
Director, Financial Audit Services

15 September 2013
SYDNEY

Statement of Comprehensive Income

For the year ended 30 June 2013

	Notes	2013 $ '000	2012 $ '000
Revenue			
Personnel Services	5	12 016	34 219
Total Revenue		12 016	34 219
Expenses			
Wages		15 863	18 631
Superannuation		(3166)	584
Annual and long service leave		3231	4744
Payroll tax		997	1217
Workers compensation		(1250)	359
Severance Payments		(149)	1453
Fringe Benefits Tax		29	26
Total expenses		15 555	27 014
Surplus/(Loss) for the year		(3539)	7205
Other Comprehensive Income			
Defined benefit plan actuarial gains/(losses)	3	3539	(7205)
Total Other Comprehensive Income		3539	(7205)
Total comprehensive income for the year		-	-

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

Statement of Financial Position

As at 30 June 2013

	Notes	2013 $ '000	2012 $ '000
ASSETS			
Current Assets			
Receivables	5	-	13310
Total Current Assets		-	13310
Non-Current Assets			
Receivables	5	-	10526
TOTAL ASSETS		-	23836
LIABILITIES			
Current Liabilities			
Provisions	4	-	13310
Superannuation Liability	3	-	-
Total Current Liabilities		-	13310
Non-Current Liabilities			
Provisions	4	-	180
Superannuation Liability	3,4	-	10346
Total Non-Current Liabilities		-	10526
TOTAL LIABILITIES		-	23836
NET ASSETS		-	-
EQUITY			
Retained surplus		-	-
TOTAL EQUITY		-	-

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2013

	Notes	2013 $ '000	2012 $ '000
Cash flows from operating activities			
Receipts			
Cash receipts from customers		-	-
Interest received		-	-
Payments			
Cash paid to suppliers and employees		-	-
Interest paid		-	-
Income taxes paid		-	-
Net Cash flows 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 flows 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 flows from/(used in) financing activities		-	-
Net increase (decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at 1 July		-	-
Closing cash and cash equivalents at 30 June		-	-

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2013

	Notes	Retained Surplus $ '000	Total Equity $ '000
Balance as at 1 July 2011		-	-
Total comprehensive income for the year			
Surplus/(deficit)		7205	7205
Other comprehensive income			
Defined benefit plan actuarial gains/ (losses)	3	(7205)	(7205)
Total Other comprehensive income		(7205)	(7205)
Total comprehensive income for the year		-	-
Transactions with owners, recorded directly in equity			
Transactions with owners in their capacity as owners		-	-
Total transactions with owners		-	-
Balance as at 30 June 2012		-	-
Balance as at 1 July 2012		-	-
Total comprehensive income for the year			
Surplus/(deficit)		(3539)	(3539)
Other comprehensive income			
Defined benefit plan actuarial gains/ (losses)	3	3539	3539
Total Other comprehensive income		3539	3539
Total comprehensive income for the year		-	-
Transactions with owners, recorded directly in equity			
Transactions with owners in their capacity as owners		-	-
Total transactions with owners		-	-
Balance as at 30 June 2013		-	-

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the year ended 30 June 2013

1. REPORTING ENTITY

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* (PSEMA). It is consolidated as part of the Forestry Corporation of New South Wales ("the Corporation") (before corporatisation known as Forestry Commission of New South Wales) 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's objective is to provide personnel services to the Corporation.

Personnel services are provided to the Corporation based on a signed 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 Act 1916*.

On 22 April 2013, pursuant to the Treasurer's Order and the *Forestry Act 2012*, all employees and their related liabilities were transferred to the Corporation. All current and non-current assets were relating to personnel services which were provided to the Corporation up until 22 April 2013.

Following assets and liabilities were derecognised due to transfer of the employees.

	Balance as on 22 April 2013 $000
ASSETS	
Current Assets	
Receivables	11 556
Total Current Assets	11 556
Non Current Assets	
Receivables	7766
Total Non Current Assets	7766
TOTAL ASSETS	19 322
LIABILITIES	
Current Liabilities	
Provision	11 556
Total Current Liabilities	11 556
Non Current Liabilities	
Provision	2108
Superannuation Liability	5658
Total Non Current Liabilities	7766
TOTAL LIABILITIES	19 322

Notes to the financial statements

For the year ended 30 June 2013

2. Summary of Significant Accounting Policies

(a) Statement of Compliance

This general purpose financial report complies with Australian Accounting Standards, which include Accounting Interpretations.

The financial statements for the year ended 30 June 2013 has been authorised for issue by the Director-General of the Department of Trade & Investment, Regional Infrastructure & Services, Mr. Mark Paterson AO, on 11 September, 2013.

(b) Basis of Preparation

All employees were transferred to the Corporation pursuant to Treasurer's Order on 22 April 2013. Consequently, the Forestry Commission Division entity is not likely to be a going concern in the future. It is likely that the entity will remain dormant with no trading activities, nil balances for assets, liabilities and equity until it will be wound up. Exemption from filing future financial statements is being sought from NSW Treasury. As a result, the financial statements have not been prepared on a going concern basis.

These general purpose financial statements have 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 2010 and specific directions issued by the Treasurer.

Generally, the historical cost basis of accounting has been adopted and the financial statements do 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 statements.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars 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 year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both.

Information about assumptions and estimation uncertainties are included in the following notes:

- Note 2 (g) Employee Benefits
- Note 3 Employee Defined Benefits

(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 Statement of Comprehensive Income. 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 Statement of Comprehensive Income.

(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

Notes to the financial statements

For the year ended 30 June 2013

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

Up until 22 April 2013, fieldworkers were employed by the Forestry Commission Division. On 22 April 2013, pursuant to the Treasurer's Order and the Forestry Act 2012, all employees and their related liabilities were transferred to the Corporation. The employee related liabilities are disclosed as provision of employee benefits as on 30 June 2013 in the Corporation's financial statements.

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 in accordance with AASB 119 *Employee Benefits.*

Long Service leave liability was assessed as at 22 April 2013. 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.

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 Statement of Comprehensive Income 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 at the reporting date 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.

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. In NSW defined benefit schemes (which are called the Pooled Fund Schemes) include the:

- State Authorities Superannuation Scheme
- State Superannuation Scheme
- State Authorities Non-Contribution Superannuation Scheme (Basic Benefit)

The Forestry Commission's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. Expected future payments are discounted using market yields at reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Calculations are performed by the Pooled Fund's actuary. When the calculation results in a benefit to the Forestry Commission, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding

requirements that apply to any plan in the Forestry Commission. An economic benefit is available to the Forestry Commission if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in comprehensive income.

The Forestry Commission recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in comprehensive income.

The Forestry Commission recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

(h) Adoption of new and revised Accounting Standards.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of Forestry Commission Division.

NSW Treasury issued NSWTC 13/02 circular which states not to early adopt any of the new or revised Standards or Interpretations.

List of new standards are as follows:

a. AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

b. AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interest in Other Entities (2011)

c. AASB 13 Fair Value Measurement (2011)

d. AASB 119 Employee Benefits (2011)

Forestry Commission Division does not expect the new standards to have a significant impact.

Notes to the financial statements

For the year ended 30 June 2013

3. Employee Defined Benefits

Up until 22 April 2013, actuarial gain is recognised in other comprehensive income. Actuarial gain from 23 April 2013 to 30 June 2013 has been recognised in the Corporation's financial statements under other comprehensive income as the employees have been transferred to the Corporation.

Information on employee defined benefits for period from 1 July 2012 to 22 April 2013 are as follows:

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)
- Police Superannuation Scheme (PSS)
- 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.

Reconciliation of the present value of the defined benefit obligation

Financial Year to 22 April 2013	SASS Financial Year to 22 April 2013 A$	SANCS Financial Year to 22 April 2013 A$	SSS Financial Year to 22 April 2013 A$	Total A$
Present value of partly funded defined benefit obligation at beginning of the year	40 589 815	4 249 368	0	44 839 183
Current service cost	463 431	140 844	0	604 275
Interest cost	966 832	100 242	0	1 067 074
Contributions by Fund participants	337 431	0	0	337 431
Actuarial (gains)/losses	(14 871 353)	(240 629)	0	(15 111 982)
Benefits paid	(22 930 094)	(4 249 825)	0	(27 179 918)
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	4 556 063	0	0	4 556 063

Reconciliation of the fair value of Fund assets

Financial Year to 22 April 2013	SASS Financial Year to 22 April 2013 A$	SANCS Financial Year to 22 April 2013 A$	SSS Financial Year to 22 April 2013 A$	Total A$
Fair value of Fund assets at beginning of the year	31 142 453	3 350 631	0	34 493 085
Expected return on Fund assets	2 072 143	222 095	0	2 294 238
Actuarial gains/(losses)	(11 591 869)	18 956	0	(11 572 913)
Employer contributions	432 178	93 497	0	525 675
Contributions by Fund participants	337 431	0	0	337 431
Benefits paid	(22 930 094)	(4 249 825)	0	(27 179 918)
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	(537 758)	(564 646)	0	(1 102 403)

Notes to the financial statements

For the year ended 30 June 2013

Reconciliation of the assets and liabilities recognised in statement of financial position

Financial Year to 22 April 2013	SASS Financial Year to 22 April 2013 A$	SANCS Financial Year to 22 April 2013 A$	SSS Financial Year to 22 April 2013 A$	Total A$
Present value of partly funded defined benefit obligation at end of year	4 556 063	0	0	4 556 063
Fair value of Fund assets at end of year	537 758	564 646	0	1 102 403
Subtotal	5 093 821	564 646	0	5 658 466
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 statement of financial position at end of year	5 093 821	564 646	0	5 658 466

Expense recognised in income statement

Financial Year to 22 April 2013	SASS Financial Year to 22 April 2013 A$	SANCS Financial Year to 22 April 2013 A$	SSS Financial Year to 22 April 2013 A$	Total A$
Components Recognised in Income Statement				-
Current service cost	463 431	140 844	0	604 275
Interest cost	966 832	100 242	0	1 067 074
Expected return on Fund assets (net of expenses)	(2 072 143)	(222 095)	0	(2 294 238)
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	(641 879)	18 991	0	(622 889)

Amounts recognised in other comprehensive income

Financial Year to 22 April 2013	SASS Financial Year to 22 April 2013 A$	SANCS Financial Year to 22 April 2013 A$	SSS Financial Year to 22 April 2013 A$	Total A$
Actuarial (gains)/losses	(3 279 484)	(259 585)	0	(3 539 069)
Adjustment for limit on net asset	0	0	0	0

Notes to the financial statements

For the year ended 30 June 2013

Fund assets

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

	22 April 13
Australian equities	32.7%
Overseas equities	25.3%
Australian fixed interest securities	6.0%
Overseas fixed interest securities	2.2%
Property	8.7%
Cash	11.2%
Other	13.9%

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

Financial Year to 30 June 2013	SASS Financial Year to 22 April 2013 A$	SANCS Financial Year to 22 April 2013 A$	SSS Financial Year to 22 April 2013 A$
Actual return on Fund assets	3 117 744	241 051	0

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

	22 April 13
Salary increase rate (excluding promotional increases)	2.5% pa
Rate of CPI Increase	2.5% pa
Expected rate of return on assets	8.60%
Discount rate	3.24% pa

c) Demographic Assumptions

The demographic assumptions at 22 April 2013 are those that were used in the 2009 triennial actuarial valuation. The triennial review report is available from the NSW Treasury website.

Notes to the financial statements

For the year ended 30 June 2013

Historical information

	SASS Financial Year to 22 April 2013 A$	SANCS Financial Year to 22 April 2013 A$	SSS Financial Year to 22 April 2013 A$	Total A$
Present value of defined benefit obligation	4 556 063	0	0	4 556 063
Fair value of Fund assets	537 758	564 646	0	1 102 403
(Surplus)/Deficit in Fund	5 093 821	564 646	0	5 658 466
Experience adjustments – Fund liabilities	(14 871 353)	(240 629)	0	(15 111 982)
Experience adjustments – Fund assets	11 591 869	(18 956)	0	11 572 913

	SASS Financial Year to 30 June 2012 A$	SANCS Financial Year to 30 June 2012 A$	SSS Financial Year to 30 June 2012 A$	Total A$
Present value of defined benefit obligation	40 589 815	4 249 368	-	44 839 183
Fair value of Fund assets	(31 142 453)	(3 350 631)	-	(34 493 084)
(Surplus)/Deficit in Fund	9 447 362	898 737	-	10 346 099
Experience adjustments – Fund liabilities	2 868 365	351 954	-	3 220 319
Experience adjustments – Fund assets	3 651 281	333 482	-	3 984 763

	SASS Financial Year to 30 June 2011 A$	SANCS Financial Year to 30 June 2011 A$	SSS Financial Year to 30 June 2011 A$	Total A$
Present value of defined benefit obligation	39 583 911	4 347 937	-	43 931 848
Fair value of Fund assets	(35 652 892)	(4 054 473)	-	(39 707 365)
(Surplus)/Deficit in Fund	3 931 019	293 463	-	4 224 482
Experience adjustments – Fund liabilities	1 153 799	(81 676)	-	1 072 123
Experience adjustments – Fund assets	(241 285)	(685)	-	(241 970)

	SASS Financial Year to 30 June 2010 A$	SANCS Financial Year to 30 June 2010 A$	SSS Financial Year to 30 June 2010 A$	Total A$
Present value of defined benefit obligation	37 965 760	4 131 404	-	42 097 164
Fair value of Fund assets	(33 697 257)	(3 638 632)	-	(37 335 889)
(Surplus)/Deficit in Fund	4 268 503	492 772	-	4 761 275
Experience adjustments – Fund liabilities	1 672 112	253 617	-	1 925 729
Experience adjustments – Fund assets	405 585	(15 070)	-	390 515

Notes to the financial statements

For the year ended 30 June 2013

	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 A$
Present value of defined benefit obligation	36 864 865	4 052 446	-	40 917 311
Fair value of Fund assets	(33 581 561)	(3 686 949)	-	(37 268 510)
(Surplus)/Deficit in Fund	3 283 304	365 497	-	3 648 801
Experience adjustments – Fund liabilities	(940 370)	215 226	-	(725 144)
Experience adjustments – Fund assets	6 907 088	749 368	-	7 656 456

Funding Arrangements for Employer Contributions

(a) Surplus/deficit

Financial Year to 22 April 2013	SASS Financial Year to 22 April 2013 A$	SANCS Financial Year to 22 April 2013 A$	SSS Financial Year to 22 April 2013 A$	Total A$
Accrued benefits	2 611 625	0	0	2 611 625
Net market value of Fund assets	537 758	564 646	0	1 102 403
Net (surplus)/deficit	3 149 382	564 646	0	3 714 028

(b) Contribution recommendations

Recommended contribution rates for the entity are:

SASS	SANCS	SSS multiple of member contributions
n/a	n/a	n/a

(c) Funding method

Contribution rates are set after discussions between the employer, STC and NSW Treasury.

(d) Economic assumptions

The economic assumptions adopted for the 2013 actuarial review of the Fund are:

Weighted-Average Assumptions	22 April 13
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 2013

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

Financial Year to 30 June 2012	SASS Financial Year to 30 June 2012 A$	SANCS Financial Year to 30 June 2012 A$	SSS Financial Year to 30 June 2012 A$	Total A$
Present value of partly funded defined benefit obligation at beginning of the year	39 583 911	4 347 937	-	43 931 848
Current service cost	596 850	186 084	-	782 934
Interest cost	1 981 188	215 620	-	2 196 808
Contributions by Fund participants	471 908	-	-	471 908
Actuarial (gains)/losses	2 868 365	351 954	-	3 220 319
Benefits paid	(4 912 407)	(852 227)	-	(5 764 634)
Past service cost	-	-	-	-
Curtailments	-	-	-	-
Settlements	-	-	-	-
Business Combinations	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of partly funded defined benefit obligation at end of the year	40 589 815	4 249 368	-	44 839 183

Reconciliation of the fair value of Fund assets

Financial Year to 30 June 2012	SASS Financial Year to 30 June 2012 A$	SANCS Financial Year to 30 June 2012 A$	SSS Financial Year to 30 June 2012 A$	Total A$
Fair value of Fund assets at beginning of the year	35 652 892	4 054 473	-	39 707 365
Expected return on Fund assets	2 917 416	332 389	-	3 249 805
Actuarial gains/(losses)	(3 651 281)	(333 482)	-	(3 984 763)
Employer contributions	663 925	149 478	-	813 403
Contributions by Fund participants	471 908	-	-	471 908
Benefits paid	(4 912 407)	(852 227)	-	(5 764 634)
Settlements	-	-	-	-
Business combinations	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of Fund assets at end of the year	31 142 453	3 350 631	-	34 493 084

Notes to the financial statements

For the year ended 30 June 2013

Reconciliation of the assets and liabilities recognised in statement of financial position

Financial Year to 30 June 2012	SASS Financial Year to 30 June 2012 A$	SANCS Financial Year to 30 June 2012 A$	SSS Financial Year to 30 June 2012 A$	Total A$
Present value of partly funded defined benefit obligation at end of year	40 589 815	4 249 368	-	44 839 183
Fair value of Fund assets at end of year	(31 142 453)	(3 350 631)	-	(34 493 084)
Subtotal	9 447 362	898 737	-	10 346 099
Unrecognised past service cost	-	-	-	-
Unrecognised gain/(loss)	-	-	-	-
Adjustment for limitation on net asset	-	-	-	-
Net Liability/(Asset) recognised in statement of financial position at end of year	9 447 362	898 737	-	10 346 099

Expense recognised in income statement

Financial Year to 30 June 2012	SASS Financial Year to 30 June 2012 A$	SANCS Financial Year to 30 June 2012 A$	SSS Financial Year to 30 June 2012 A$	Total A$
Components Recognised in Income Statement				
Current service cost	596 850	186 084	-	782 934
Interest cost	1 981 188	215 620	-	2 196 808
Expected return on Fund assets (net of expenses)	(2 917 416)	(332 389)	-	(3 249 805)
Actuarial losses/(gains) recognised in year	-	-	-	-
Past service cost	-	-	-	-
Movement in adjustment for limitation on net asset				-
Curtailment or settlement (gain)/loss				-
Expense/(income) recognised	(339 378)	69 315	-	(270 063)

Amounts recognised in other comprehensive income

Financial Year to 30 June 2012	SASS Financial Year to 30 June 2012 A$	SANCS Financial Year to 30 June 2012 A$	SSS Financial Year to 30 June 2012 A$	Total A$
Actuarial (gains)/losses	6 519 646	685 437	-	7 205 083
Adjustment for limit on net asset	-	-	-	-

Cumulative amount recognised in other comprehensive income

Financial Year to 30 June 2012	SASS Financial Year to 30 June 2012 A$	SANCS Financial Year to 30 June 2012 A$	SSS Financial Year to 30 June 2012 A$	Total A$
Actuarial (gains)/losses	-	-	-	-
Adjustment for limit on net asset	-	-	-	-

Notes to the financial statements

For the year ended 30 June 2013

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

	30 June 12
Australian equities	28.0%
Overseas equities	23.7%
Australian fixed interest securities	4.9%
Overseas fixed interest securities	2.4%
Property	8.6%
Cash	19.5%
Other	12.9%

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

Financial Year to 30 June 2012	SASS Financial Year to 30 June 2012 A$	SANCS Financial Year to 30 June 2012 A$	SSS Financial Year to 30 June 2012 A$
Actual return on Fund assets	(10474)	(1093)	-

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 June 12
Salary increase rate (excluding promotional increases)	2.5% pa
Rate of CPI Increase	2.5% pa
Expected rate of return on assets	8.6%
Discount rate	3.06% pa

c) Demographic Assumptions

The demographic assumptions at 30 June 2012 are those that were used in the 2009 triennial actuarial valuation. The triennial review report is available from the NSW Treasury website.

Notes to the financial statements

For the year ended 30 June 2013

Historical information

	SASS Financial Year to 30 June 2012 A$	SANCS Financial Year to 30 June 2012 A$	SSS Financial Year to 30 June 2012 A$	Total A$
Present value of defined benefit obligation	40 589 815	4 249 368	-	44 839 183
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Experience adjustments – Fund assets	3 651 281	333 482	-	3 984 763

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(Surplus)/Deficit in Fund	3 931 019	293 463	-	4 224 482
Experience adjustments – Fund liabilities	1 153 799	(81 676)	-	1 072 123
Experience adjustments – Fund assets	(241 285)	(685)	-	(241 970)

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Fair value of Fund assets	(33 697 257)	(3 638 632)	-	(37 335 889)
(Surplus)/Deficit in Fund	4 268 503	492 772	-	4 761 275
Experience adjustments – Fund liabilities	1 672 112	253 617	-	1 925 729
Experience adjustments – Fund assets	405 585	(15 070)	-	390 515

	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 A$
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Fair value of Fund assets	(33 581 561)	(3 686 949)	-	(37 268 510)
(Surplus)/Deficit in Fund	3 283 304	365 497	-	3 648 801
Experience adjustments – Fund liabilities	(940 370)	215 226	-	(725 144)
Experience adjustments – Fund assets	6 907 088	749 368	-	7 656 456

Notes to the financial statements

For the year ended 30 June 2013

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

Expected contributions

Financial Year to 30 June 2012	SASS Financial Year to 30 June 2012 A$	SANCS Financial Year to 30 June 2012 A$	SSS Financial Year to 30 June 2012 A$	Total A$
Expected employer contributions to be paid in the next reporting period	896 625	194 400	-	1 091 025

Funding Arrangements for Employer Contributions

(a) Surplus/deficit

Financial Year to 30 June 2012	SASS Financial Year to 30 June 2012 A$	SANCS Financial Year to 30 June 2012 A$	SSS Financial Year to 30 June 2012 A$	Total A$
Accrued benefits	32 835 437	3 621 735	-	36 457 172
Net market value of Fund assets	(31 142 453)	(3 350 631)	-	(34 493 084)
Net (surplus)/deficit	1 692 984	271 104	-	1 964 088

(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

Contribution rates are set after discussions between the employer, STC and NSW Treasury.

(d) Economic assumptions

The economic assumptions adopted for the 2013 actuarial review of the Fund are:

Weighted-Average Assumptions	30 June 12
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

Notes to the financial statements

For the year ended 30 June 2013

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.

4. Provisions

	2013 $ '000	2012 $ '000
Current Liabilities		
Payroll Tax	-	224
Leave Entitlements	-	11 495
Fringe Benefits Tax	-	9
Redundancy	-	1333
Superannuation	-	249
Total Current Liabilities	-	13 310
Non-Current Liabilities		
Leave Entitlements	-	180
Superannuation	-	10 346
Total Non-Current Liabilities	-	10 526
Total Provisions	-	23 836

5. Related Party Transactions

(i) Statement of Comprehensive Income - Supply of Personnel Services

	Notes	2013 $ '000	2012 $ '000
Supply of Personnel Services to the Corporation- Revenue		12 016	34 219
Defined benefit actuarial gain/(loss)	3	3539	(7205)
Total		15 555	27 014

(ii) Statement of Financial Position - Current assets

	2013 $ '000	2012 $ '000
The Corporation for employee entitlements	-	13 310
Total	-	13 310

Notes to the financial statements

For the year ended 30 June 2013

(iii) Statement of Financial Position - Non-Current liabilities

	2013 $ '000	2012 $ '000
The Corporation for employee entitlements	-	180
The Corporation for defined benefits superannuation	-	10 346
Total	-	10 526

6. After Balance Date Events

This is the final set of accounts for Forestry Commission Division. Until the *Government Sector Employment Act 2013* is amended to remove Forestry Commission Division, it will continue as a dormant entity with no trading activities, nil balances for assets, liabilities and equity. Application will be filed for exemption from the requirements of preparing and submission of financial statements for the financial year 2013–2014 onwards.

7. Auditor's Remuneration

The auditor's remuneration for the audit of the financial statements of Forestry Commission Division is charged as part of the overall audit fee paid by the Corporation.

8. Commitments

There are no known commitments (2012: None)

9. Contingent Assets/liabilities

There are no known contingent assets or liabilities (2012: None)

End of Audited Financial Statements

Statement by Director General

(as Division Head under Public Sector Employment and Management Act 2002 No 43)

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 2013.

The financial statements have been prepared in accordance with the Australian Accounting Standards (which include Australian Accounting Interpretations), 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.

Mr. Mark Paterson AO
Director General of the Department of Trade & Investment, Regional Infrastructure & Services.
Dated this 11th day of September, 2013

INDEPENDENT AUDITOR'S REPORT

Forestry Commission Division

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Forestry Commission Division (the Division), which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion the financial statements:

- give a true and fair view of the Division's financial position as at 30 June 2013 and its performance and its cash flows for the year ended on that date in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

Director General's Responsibility for the Financial Statements

The Director General of the Department of Trade and Investment, Regional Infrastructure and Services is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards, the PF&A Act and for such internal control as the Director General determine is necessary to enable the preparation of the financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Division's preparation of the financial statements that give a true and fair view 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 control. 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 statements.

I believe 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
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards, and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 roles by the possibility of losing clients or income.

Peter Barnes
Director, Financial Audit Services

15 September 2013
SYDNEY

Places of business

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Phone: 9872 0111
Fax: 9871 6941

Visiting forests enquiries: 1300 655 687

Softwood Plantations Division

Northern Softwood Region

Cnr Browning and William Streets
Bathurst

Post: PO box 143
Bathurst 2795

Phone: 6331 2044
Fax: 6331 5528

Snowy Region

Riverina Highlands Building
76 Capper Street Tumut

Post: PO Box 291
Tumut 2720

Phone: 6947 3911
Fax: 6947 2865

Hardwood Forests Division

Central Region

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Wauchope

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Wauchope 2446

Phone: 6585 3744
Fax: 6585 2392

North East Region

130 West High Street
Coffs Harbour

Post: PO Box 535
Coffs Harbour 2450

Phone: 6652 0111
Fax: 6651 9891

Southern Region

Crown Street
Batemans Bay

Post: PO Box 42
Batemans Bay 2536

Phone: 1300 880 548
Fax: 4472 6557

Western Region

Cnr Monash and Chelmsford Streets
Dubbo

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Dubbo 2830

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Index

Forestry Corporation Annual Report 2012—13

Written and compiled by Forestry Corporation of NSW.

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Ross Longley

Photography

'New sawmill a boost for Bombala' page 35 image courtesy of Dongwha Timbers, photograph by Ferne Millen Photography; 'Sustainable forestry sustains industry' page 27 image courtesy of Weathertex; 'Successfully managing the damaging Monterey pine aphid' page 33 image by Angus Carnegie; all other images from the Forestry Corporation Image Library.

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Forestry Corporation