



FORESTS NSW

Annual Report 2009–10

Social, Environmental and
Economic Performance

Letter to the Minister

The Hon. Steve Whan, MP
Minister for Primary Industries
Minister for Emergency Services and
Minister for Rural Affairs

Level 33 Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Dear Minister

I am pleased to submit for presentation to Parliament the Annual Report of Forests NSW for the period 1 July 2009 to 30 June 2010. The report complies with the requirements of the *Annual Reports (Statutory Bodies) Act 1984*, and the *Public Finance and Audit Act 1983*. Copies have been made available for tabling in Parliament.

Yours sincerely



Nick Roberts
Chief Executive Officer
Forests NSW

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Acknowledgements

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Forests NSW Image Library and as acknowledged.

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PDF format copies of this and previous Forests NSW Reports are available from the Forests NSW website: www.industry.nsw.gov.au/forests

To provide feedback or obtain hard copies of this report, contact Forests NSW at:
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In the interest of protecting and preserving our environment, Forests NSW has used Nordset paper which is made with fibre obtained from sustainably managed forests. It is oxygen bleached, Totally Chlorine Free (TCF), dioxin and acid free.

Overview

Managing forests has many interrelated processes. Like a puzzle, it is only when they all fit together that we see the full picture. The design of this Annual Report was chosen to convey the interdependence of each part of managing our State forests to achieve a range of benefits, all coming together to deliver sustainable management of State forests and a return to the community.

During the year Forests NSW economic performance remained under the spotlight in a difficult economic climate. Pleasingly, the financial results did not reflect the downturn that was projected due to the global financial crisis. The market responded well to various economic initiatives and demand for timber was strong. Higher sales volumes together with price increases and savings from business improvement processes enabled the business to achieve a trading profit of \$19.7 million, a better than anticipated trading result.

Importantly, Forests NSW was able to generate a cash surplus of \$38.9 million which was used to pay down \$28 million of debt and accrued interest resulting in a net reduction of \$24.5 million in the organisation's total debt. Ongoing saving in interest costs as a result of lower debt is around \$2.2 million a year. The cash surplus also allowed the investment of \$13.3 million in new light and heavy fleet.

Another standout result for the year was the Moody's credit rating upgrade for Forests NSW from BB to BB+.

It is disappointing that, with a Recordable Incident Rate of 7.3, Forests NSW safety performance was below the previous year's result of 4.7. Despite this setback Forests NSW remains committed to aiming for a Recordable Incident Rate of less than one. The impact of a workplace injury on our employees and their families cannot be overstated, and reductions in the Recordable Incident Rate have real implications for them, their quality of life, and their families.

That the Recordable Incident Rate of one or less is achievable was proven in Forests NSW Central Region, which reached this world industry benchmark safety standard by the end of the year. Congratulations to all the staff from the Central Region for this outstanding safety achievement.

Following extensive negotiations with the hardwood sawmilling industry, the first of six planned successive structural price increases of 3 per cent each for hardwood logs was implemented in April 2010. These increases are designed to better align Forests NSW hardwood prices with current market prices.

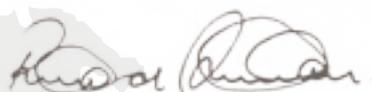
With the end of the financial year came the transfer of over 100 000 hectares of river red gum-dominated State forests to reserves. The transfer was the result

of the Natural Resources Commission red gum regional assessment and the NSW Government red gum decision, which saw \$97 million put aside for reserves management and a structural adjustment package for the red gum timber industry. It is proposed that a small but viable red gum timber industry will remain in the Riverina, based on harvesting from the Koondrook-Perricoota and Campbells Island State Forests.

We are pleased to report that Forests NSW certification to ISO 14001 and Australian Forestry Standard was again reaffirmed by third party independent audits. This provides assurance to the community that environmental values of State forests are preserved and sustained for future generations.

Amenity of State forests for public use was an area of focus during the year. Picnic sites, walking tracks and other facilities were enhanced in several State forests. This included a major upgrade of facilities and a complete refurbishment of the Visitor Centre at Cumberland State Forest in Sydney, which is expected to be completed in time for the Cumberland Forest Fair in October 2010.

As Forests NSW continues to strive to be the best and the safest forest manager in Australasia, this would not be possible without the dedicated and professional staff of the agency. We thank all Forests NSW staff for their hard work over the year.



Richard Sheldrake
Director-General
Industry & Investment NSW
Commissioner for Forests



Nick Roberts
Chief Executive Officer
Forests NSW



Forests NSW

A leader in safe, ecologically sustainable forest management

Forests NSW is the registered business name of the Forestry Commission of New South Wales and operates as a public trading enterprise within Industry & Investment NSW (I&I NSW). The Forestry Commission is constituted under the *Forestry Act 1916*, and is subject to the direction of the responsible Minister. We also administer the *Timber Marketing Act 1977*, which provides for control of the sale and use of certain timbers in NSW.

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

Forests NSW manages 1.9 million hectares within the public native forest estate and an additional 0.5 million hectares within the planted forest estate, of which over 210 000 hectares are retained native vegetation. As of 1 July, 2010 the area of native State forests in the south west of the State will reduce by 106 515 hectares, as these forests become national and regional parks (see page 20 for more details).

As well as managing these forests we also provide services in private forest harvest planning, plantation establishment, carbon emissions trading, bioenergy and land repair. Forest products and services are supplied by Forests NSW to a wide range of valued customers located within NSW, across Australia and overseas. A committed group of contractors and consultants are engaged by Forests NSW to deliver these products and

services and to maintain and develop the forest estate for the benefit of the people of NSW.

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

The objects or purposes of the Forestry Commission are set out in the *Forestry Act 1916*. The Commission is required to:

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

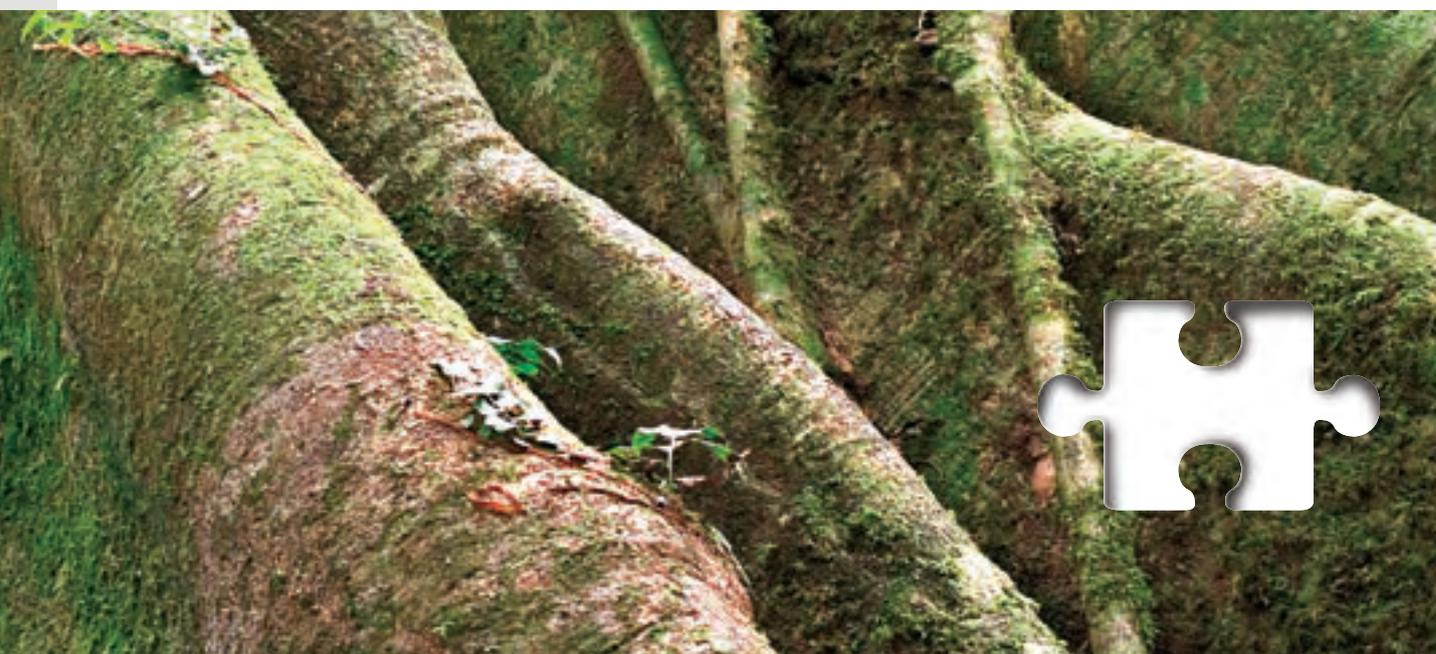


Photo by David Barnes



Organisational structure



Minister for Primary Industries
The Hon. Steve Whan, MP



Director-General
Industry & Investment NSW
Commissioner for Forests
Dr Richard Sheldrake
MSc Agr PhD FASM FAICD



Chief Executive Officer
Forests NSW
Nick Roberts
BSc (Forestry)(Hons), MSc (Forestry)



Government & Community
Relations
Rahmat Khaiami
BSc, MSc

- Regulatory & Performance Reporting
 - Ministerial & Policy
- Audit & Risk Management
- Strategic Projects, Planning & Secretariat
- Community Interaction
 - Public Programs
 - GIPA



I&I NSW
People, Learning & Culture
Della Farthing

- Graduate Certificate of Management
- Administration & Projects
 - Industrial Relations Operations
 - Organisation Development & Training
 - Safety
 - Workers Compensation



Native Forests Operations

Erle Robinson

BSc (Forestry)
MPP (Masters Degree
Public Policy)

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



Planted Forests Operations

Ian Brown

BSc (Forestry)

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



Land Management & Forestry Services

Ross Dickson

BAGSc (Hons)
Sc (Plant Science)
PhD (Forestry Science)

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



Marketing **Dean Anderson**

BSc (Forestry)

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



Financial & Operational Business Services

Sean Hooper CA

- Business Services
- Corporate Finance
- Information Technology
 - Workshops
- Radio Services

Communicating our performance

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

In previous years Forests NSW has produced a separate sustainability report called the *Seeing Report*. Building on the success of last year we have again produced one combined annual report on our social, environmental and economic performance. In order to make the best use of valuable paper resources and keep costs down, this report has been produced in two parts. The full report will be produced in a small print run, which is presented to the NSW Parliament as part of our Statutory reporting obligations. This full report is also available from our website, along with supplementary material.

Forests NSW sustainability reporting

By producing our first annual sustainability report 12 years ago Forests NSW pioneered broader accountability to its stakeholders. In recognition of this leading role Forests NSW *Seeing Report* was determined to represent best practice in 2005 by the NSW Legislative Assembly Public Accounts Committee following an inquiry into sustainability reporting in the NSW Public Sector.

The relevance of indicators to our social, environmental and economic performance have changed over time and, as part of the process of continual improvement, Forests NSW reviews and amends our suite of indicators

to more closely align them with the International Montreal Process Criteria, GRI 3 Sustainability Reporting Guidelines¹ and business information requirements. Data relating to the indicators is found in the appendices of part one of this report.

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

Independent review

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

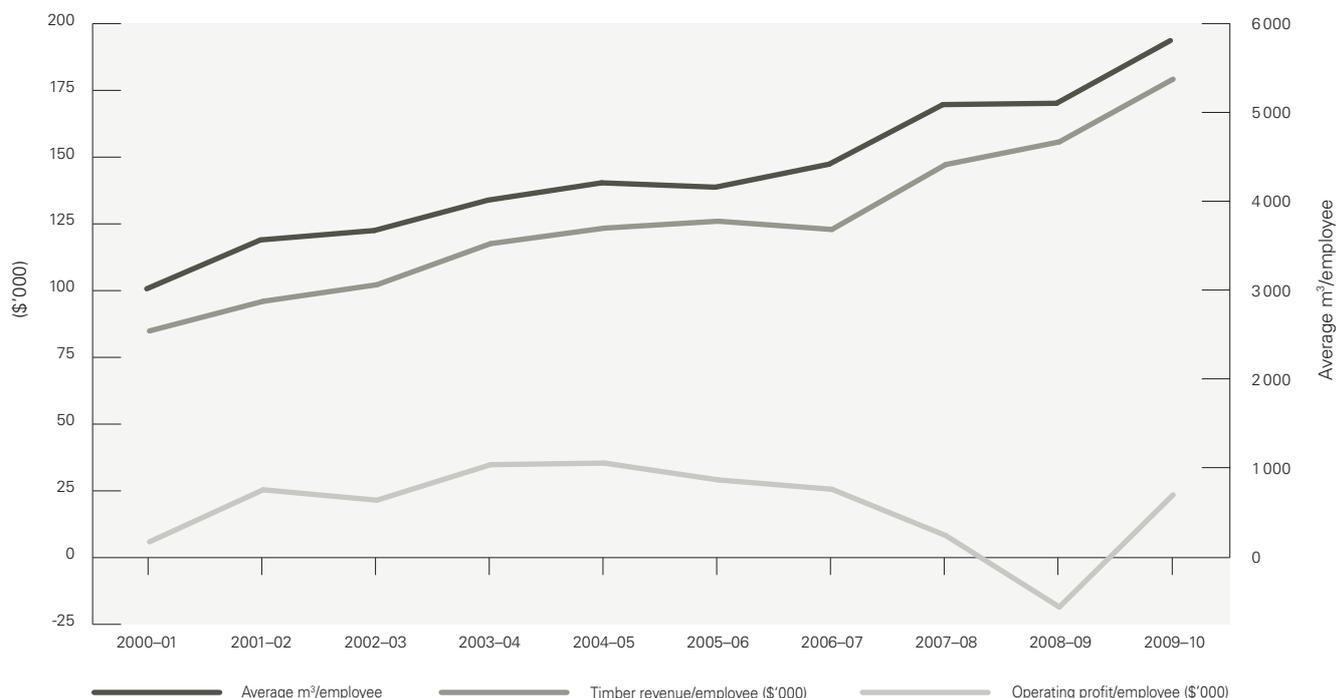
Symbol interpretation

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

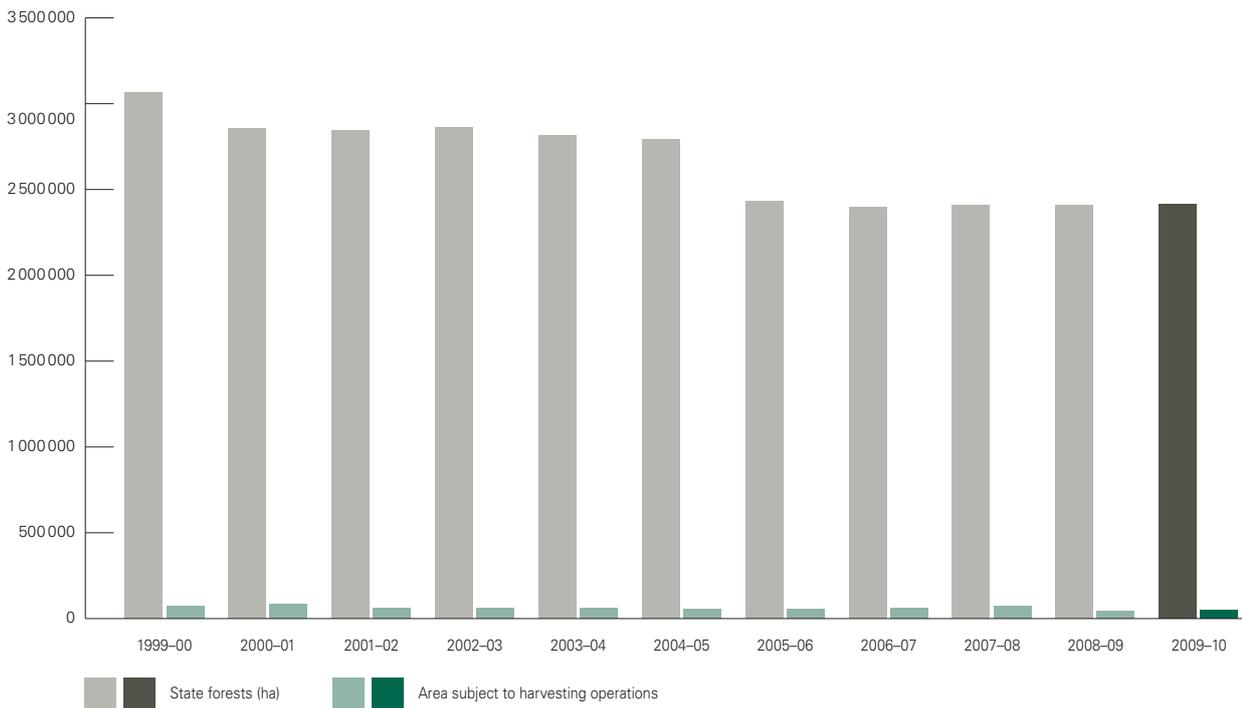
More information available at:
www.industry.nsw.gov.au/forests

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

Productivity measures 2009–10

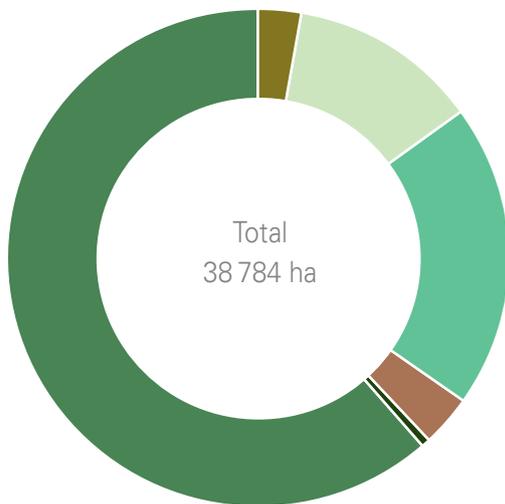


State forests and the area subject to harvesting operations

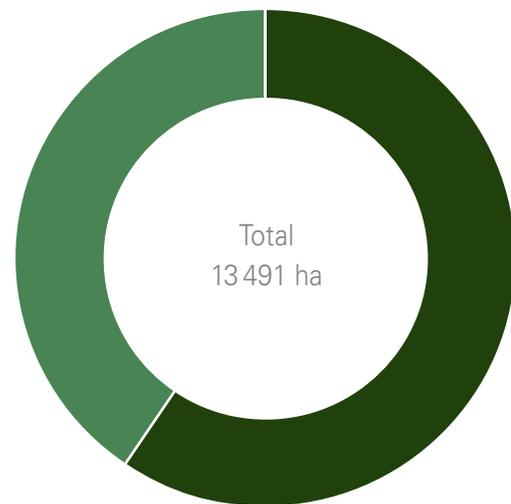


Types of harvest operations undertaken by area¹

Native forest area harvested



Plantation area harvested



¹ Descriptions of the native forest harvest methods can be found in the Forests NSW Native Forest Silviculture Manual, and involve retaining a percentage of trees in the harvested area.

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

³ Relates to post-1994 hardwood plantations only.

Five year comparison as at 30 June 2010

	2006 \$'000	2007 \$'000	2008 \$'000	2009 \$'000	2010 \$'000
Revenue¹	259 747	270 550	293 795	286 259	328 712
Profit					
Trading profit ¹	31 116	28 037	14 499	(16 389)	19 738
Significant items and biological assets rev. ²	(19 696)	(166 357)	19 356	(30 284)	(23 852)
Profit/(Loss) from ordinary activities (before tax)	11 420	(138 320)	33 855	(46 673)	(4 114)
Distribution to Government					
Distribution payable	26 322	16 000	1 000	-	9 600
Capital expenditure	31 451	45 039	10 242	8 230	8 862
Balance sheet					
Value of biological assets ³	1 558 674	1 403 831	625 000	670 000	661 986
Total assets	2 528 907	2 703 913	1 891 823	1 871 865	1 872 903
Borrowings	138 276	159 743	169 489	165 209	140 734
Total equity ⁴	1 816 670	1 921 105	1 365 299	1 308 222	1 069 820
Ratios % (excl abnormals & MVI)					
Return on equity ¹	1.71%	1.46%	1.06%	-1.25%	1.84%
Return on assets ¹	1.23%	1.04%	0.77%	-0.88%	1.05%
Debt to equity	7.61%	8.32%	12.41%	12.63%	13.15%
Return on equity (including MVI)	-1.74%	-7.53%	3.13%	2.49%	2.49%
Sawlogs ('000 of cubic metres)					
Native forest hardwood sawlogs	665	567	610	593	564
Plantation hardwood sawlogs	65	106	122	151	122
Plantation softwood sawlogs	1 964	1 955	2 071	1 918	2 101
Cypress pine sawlogs	71	58	49	56	59
Other products	57	48	47	161	208
Total	2 822	2 734	2 899	2 879	3 053
Pulp (tonnes)					
Native forest hardwood	504	552	500	465	488
Plantation hardwood pulpwood	40	65	77	99	84
Plantation softwood pulpwood	983	1 188	1 169	1 083	1 224
Total	1 527	1 805	1 746	1 647	1 796

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

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

³ Biological assets represent the commercial value of Forests NSW timber resources.

⁴ Australian Equivalents to International Accounting Standards (AEIFRS) was effective from 01/07/04.

Summary of significant achievements and challenges

Social

- Rollout of truck safety campaign continued
- Initiated implementation of a common fire-related safety system across agencies and jurisdictions
- Upgrades of recreational facilities including significant upgrades to several picnic areas and walking trails
- 16 staff completed the leadership development program and another 14 are currently enrolled
- Indigenous trainees selected under Forests NSW Indigenous Recruitment Strategy

Environmental

- Participated effectively in the Natural Resource Commission river red gum forests assessment
 - The NSW Government decision was to transfer management of 106 515 hectares of forest to other land managers, primarily as national or regional parks. However, a viable red gum industry will continue. The process has been supported by the NSW Government through a \$97 million management and industry assistance package
- Forests NSW operations have been challenged by Non Government Organisations in a number of State forests. Issues raised relate to operation license compliance. Forests NSW is working with the regulators to resolve issues
- Maintained ISO 14001:2004 environmental management system certification

Economic

- Financial performance above expectations, due to factors including:
 - Focus
 - › Native forest operations on track to be cash neutral by 2012
 - › Planted Forest Operations generated over \$40 million net cash return
 - › Overall net cash generation of over \$38 million
 - Supply
 - › Increased Planted Forest Operations sales volumes and quick procurement of forest logistics capacity
 - › Commenced the supply of an additional 300 000 tonnes of pulp logs for Visy Stage 2
- Credit rating upgrade by Moody's from BB to BB+

Sustainability

- Forests NSW has paid off \$28 million of debt and accrued interest reducing interest payments by \$2.2 million per annum
- Completion of Stage 1 of the Blowering Nursery containerisation, seeding and handling line
- Forests NSW purchased 7 000 hectares of forest assets from TEPCO
- \$13 million has been committed to upgrading heavy and light fleet
- Structural price increase negotiations completed, with the first of six planned successive 3% structural price increases for hardwood timbers implemented in April 2010
- Unprecedented planting program undertaken
- Certification to Australian Forestry Standard reaffirmed by third party independent audits



Corporate Business Strategy performance

Key result area	Performance measure / Goal	I&I NSW KRA	Target 2009–10	Performance
Focus	Ongoing improvement in safety results to reach recordable incident rate of less than one	3	35% actual reduction on June 2009 for recordable injuries	Number of lost time incidents and recordable injuries was 57 compared to 42 for 2008–09. The recordable incident rate was 7.3
	Meeting profitability and dividend targets as agreed with Treasury	1	As per Statement of Business Intent	Targets exceeded
	Maintenance of AFS certification and ISO 14001:2004 accreditation of the EMS	2	Ongoing	Certification to AFS and EMS maintained
	Meeting or exceeding contractual obligations to customers	1 & 5	Ongoing	The majority of contract obligations have been met. One major customer is in dispute with Forests NSW with regard to performance against their Wood Supply Agreement
	Forest burnt by damaging wildfire	2	Less than 0.3% of the forest estate	37 610 ha of State forest was burnt by wildfire representing 1.6% of the forest estate
Organisational efficiency	Implementation of the performance management system for all staff	5	Ongoing	Implemented for all public servants. Has not as yet been extended to cover fieldworkers
	Complete the establishment of workshops and timber inspection services as stand-alone business units	1 & 5	December 2009	Timber Inspection Services and Workshop Services have been established as responsibility centres in the finance system and they are working under their own separate budgets
	Review firefighting methods and resources	2	June 2010	Commenced and on schedule
Revenue growth	Implementation of major pricing review recommendations	1	Ongoing	The first of six 3% structural price increases applied from 1 April 2010. The remaining price increases are planned to be implemented at six-monthly intervals until completed
	Implementation of the second round of Government approved projects for third party investment in plantation establishment	1 & 2	Projects approved and underway by December 2009	Completed
	Complete preparations and Expression of Interest (EOI) for at least two extractive resources projects	1	December 2009	EOI for one project completed. Second project delayed
	Disposal of at least five identified surplus land and buildings	1	June 2010	Two properties have been disposed of. Other properties have been identified for disposal but are pending resolution of title issues and disposal methods
	Review and implement new valuation methodology	1	December 2009	Completed

Key result area	Performance measure / Goal	I&I NSW KRA	Target 2009–10	Performance
Cost reduction	Implementation of approved recommendations of the 2007 benchmarking study	1 & 5	December 2009	Substantially completed
	Implementation of light and heavy fleet recommendations including leasing of light and heavy fleet	1 & 5	Approved new arrangements in place by September 2009	Largely achieved. Following further analysis a decision was made to fund fleet acquisitions from cash flows rather than leasing
	Continuous evaluation of business and operational practises	1 & 5	Ongoing	An external evaluation of business processes and systems was completed. Outcomes are being assessed for staged implementation
Simplification	Establish structure for operational engagement around simplification of AFS certification support systems and the EMS	5	December 2009	Completed
	Review and further streamline business support services	5	December 2009	A review has been completed. Recommendations from that review are being implemented
	Review procurement processes with a view to identifying increased efficiencies	5	September 2009	Online purchase order project due to be fully implemented by December 2010
	Review and streamline organisational structures to meet business needs	5	December 2009	A number of reviews completed and changes to structures finalised. Consultations are ongoing for Native Forest Operations Branch realignment
	Strategic review of information management and ICT requirements	5	June 2010	Preliminary work has been completed. Work will continue during 2010–11

The year ahead

Forests NSW has outlined a number of goals and key projects under the five strategic directions in our Corporate Business Strategy (CBS) for 2010–11. The CBS provides clear focus and direction for staff on the priorities for the year ahead. Some of these include:

Social

- Reviewing Forests NSW operational work methods, risk assessment processes and focussing on behavioural change management to improve safety performance.
- Reviewing incident information from contractors to better understand the issues affecting their health and safety environment and to assist them to improve their safety record.
- Completing review of safety documentation.

Environmental

- Reaching production capacity at Blowering Nursery.
- Undertaking review of environmental management systems.

Economic

- Continuing implementation of strategies to achieve a cash neutral financial outcome for native forest operations by 2012.

- Working on two major projects embarked on by Planted Forests Operations to effect substantial and sustainable cost reductions:

Site-specific silviculture: this project focuses on classifying growing sites across the State into sites that require similar silvicultural treatments. This ensures that only those treatments that are necessary to grow trees well on that particular site are applied.

Value recovery: this project involves perfecting the methodology that determines the optimal way to cut the tree into various logs to customer specifications.

Sustainability

- Completing a review of firefighting methods and resourcing.
- Maintenance of certification to the Australian Forestry Standard (AS 4708:2007).

Delivery of these projects not only meets targets for business improvement in the CBS, but also in completing actions from continuous improvement processes identified through independent auditing of performance and results of benchmarking exercises.

SOCIAL

Forest value	No.	Indicator	Results	Performance
Community benefits	1	Social responsibility	101 community participants in voluntary programs, investing approximately 460 hours in a range of projects	●
	2	Public participation	Over 8 000 hours of staff time invested in attending stakeholder meetings and forums	●
	3	Recreation and tourism	177 recreational sites providing a range of facilities, with information for specific locations available through the internet; 468 permits issued for organised recreational activity with \$2.55 million spent on recreational service provision	●
	4	Research and education	\$5.4 million spent on research; \$2.5 million spent on education, with over 4 000 participants in education	●
	5	Regional employment	Forest-dependent employment changed little in 2009–10 except for Western Region where decreases were reported. Based on 2006 census data over 12 000 indirect jobs are dependent on timber processing in NSW	●
	6	Other forest products	Access maintained to State forests for apiary, grazing and other products appropriate to forestry	●
Staff	7	Quality of management	839 people directly employed by Forests NSW; over \$4 million on staff management; \$1.8 million on training	●
	8	Management and training	Attendance at training courses for staff and contractors was 2 194	●
Cultural heritage	9	Health and safety	Recordable Incident Rate of 7.3 and Lost Time Incident Rate of 3.6	●
	10	Cultural heritage training	5 004 ha managed for cultural heritage values, with 3 co-management agreements in place effective for 53 279 ha; The number of staff and contractors being trained in cultural heritage awareness has dropped now that this course has been rolled out to all operational staff and relevant contractors	●

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

Photo by Phil Lacey

Safety – ‘the way we do things around here’

Our first priority

Forests NSW Safety Strategy 2008–11 continues to be the organisation's overriding guide to safety. The key pillars of the strategy appear under the headings of *Leadership, Engagement and System*.

- *Leadership* – to create a work environment and culture where employees can show leadership in safety.
- *Engagement* – to engage all staff by providing training, support, recognition and opportunities to participate in working safely every day and heightening knowledge and skills in safety and awareness.
- *System* – to operate a Safety Management System that meets legal requirements while being easy for our staff to use.

The table below shows how Forests NSW has performed against the activities identified in the strategy for 2009–10.

Safety performance

Ultimately, the objective of the workplace safety program is that every employee who comes to work returns home uninjured. The main quantitative indicator used to measure safety performance is the ‘recordable injury rate’. The recordable injury rate for 2009–10 was 7.3, which means about 7 in 100 employees suffered a lost time, work related injury that required medical treatment at some time in the year. As noted in the Corporate Business Strategy on pages 10 and 11, a rate of only 1 in 100 is the organisation's goal. For an example of how this has been achieved see the case story on page 16.

Take 2

Forests NSW recognises the importance of instilling an awareness of how routine behaviour patterns directly impact on safety. Based on this principle, one initiative called *Take 2*, encourages and empowers staff to pause for a minute or two to *Stop, Think and Decide* on the safest way to proceed before commencing a fresh task.

Pillars	Safety activity	Outcome	Further action
Leadership	Define what Safety Leadership behaviours and activities look like	Safety behaviours included in all position descriptions	Discuss safety in all employee performance reviews
	Develop and deliver a comprehensive Safety Leadership training program	Completed	Reinforce safety leadership in all staff safety sessions
	Track leadership actions	Actions are integrated into the business unit plans and reported regularly	Monitor and report progress of actions
	Continue safety benchmarking for key leaders	Initial exercise completed	Identify and program further benchmarking opportunities
	Develop ‘first priority’ program	Program supported through the strategic and operational H&S plans	Self-assess the effectiveness of plan implementation
Engagement	Each employee to commit to 2 safety activities annually	Introduction of <i>Take 2</i> program	Introduce a formal safety observation approach
	Employees actively involved in development of Safe Work Procedures	Structured process in place	Continue in accordance with Forests NSW consultative arrangements
	Introduce benchmarking for OHS committees	Strategy being developed	Develop a simple review tool to assist H&S committees reviews
	Implement and train for use of Stop Work Authority Cards	Graphic design and printing of Safety Authority is due for completion during 2010	Implementation of Safety Authority will commence in early 2011 as part of the behavioural safety program
	Provide standardised resource for Toolbox Talks	Briefs developed and available on the Forests NSW intranet	Develop new briefs as relevant topics are identified
System	Move to national safety model ¹	Safety Management System review is ensuring that all elements are aligned with AS 4801.	All Forests NSW Safety Management System documentation to be reviewed against the National Model prior to January 2012
	Continue with rewrite of the safety documentation	A full review of all safety standards has been conducted	Other system documentation will be reviewed with a view to simplification and clarity
	Refine OHS Committee Chair training	Training delivered as required by accredited provider	New committee members are trained as required
	Train 4 Level 1 incident investigators and 10 Level 2 investigators	Training undertaken within business units	Refresher training will be undertaken following a review of business unit training plans
	Commence Safe Work Procedures development on a risk basis	All Safe Work Procedures are under review as part of the Safety Management System	Ensure all Safe Work Procedures indicate both initial and residual risk

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



Human resource management

Forests NSW, like other forest management organisations in Australia, continues to experience difficulty in attracting skilled staff. Inadequate labour market knowledge of the forestry industry as a genuine career option, an unfavourable public perception in some quarters and a shortage of relevant courses at universities are believed to be factors contributing to this.

Forests NSW will continue to focus on retention and development of its employees through: further targeted development; employee engagement; developing occupational health and safety strategies to manage ageing workers; and talent management and development.

Externally, from a human resource management perspective, the aim is to facilitate a match between labour availability and future business needs. The focus is towards targeted recruitment strategies and building strong partnerships with tertiary, secondary and private institutions.

The Forests NSW Leadership Program continued to develop the leadership potential of selected staff. The program was expanded during the year to include a safety management component.

Our partners

Forests NSW does not operate in isolation and is inter-dependent with a range of industry partners. Forests NSW commitment to the wider timber industry in NSW was recognised through its leadership in a number of partnership safety initiatives.

Log truck safety

Forests NSW has taken a leadership role in logging truck safety in NSW. With more than 600 truck trips per day Forests NSW is the largest single user of contractor logging trucks in the State. A number of initiatives have been introduced or are currently being worked on, including a disincentive scheme for overloading which has seen a decrease in the incidence of overloading by

more than 50 per cent, a series of seminars delivered to truck drivers and contractor principles by an expert on heavy vehicle stability and a hotline for truck driving compliments/complaints. These initiatives are starting to deliver tangible outcomes in the improvement of logging truck safety and the interaction between logging trucks and the public on State roads.

Forests contractor safety outreach

In 2009, Forests NSW entered into an agreement with WorkCover NSW to apply its safety expertise to supporting small contractor businesses within the forestry industry to improve safety outcomes.

The initial efforts of Forests NSW and WorkCover NSW focused on clarifying the expectations and responsibilities of internal and external stakeholders around safety issues. The program included a series of workshops throughout the State and the release of the 'Forest Industry Safety Toolkit' for industry consultation. A number of enquiries about the toolkit have already been received from within Australia and overseas.

The importance of this work is highlighted in view of the 76 harvest and haulage contractor Recordable Incidents reported in 2009–10.

Firefighter safety

Firefighting and undertaking prescribed burns are significant components of Forests NSW forest management responsibilities. While the risks associated with Bushfire management are widely recognised, up until recently each organisation responsible for providing Bushfire management resources had its own safety systems and procedures. This was recognised as an area of concern, particularly as so many fire management operations rely on a coordinated response from a range of agencies.

Forests NSW has built on its strategic alliances with key State and National fire associations and committees to initiate a broad-ranging discussion on the best ways to achieve national consistency in a framework supporting firefighter safety.

Forests NSW helicopter takes a knock

Four aircraft-related incidents occurred on fires in NSW during December 2009 – three helicopter and one fixed wing. Sadly these incidents resulted in a number of injuries and one fatality. One of the three helicopters involved is owned and operated by Forests NSW. The incident was a mid-air contact with another helicopter resulting in the tail stabiliser fin on the Forests NSW helicopter being

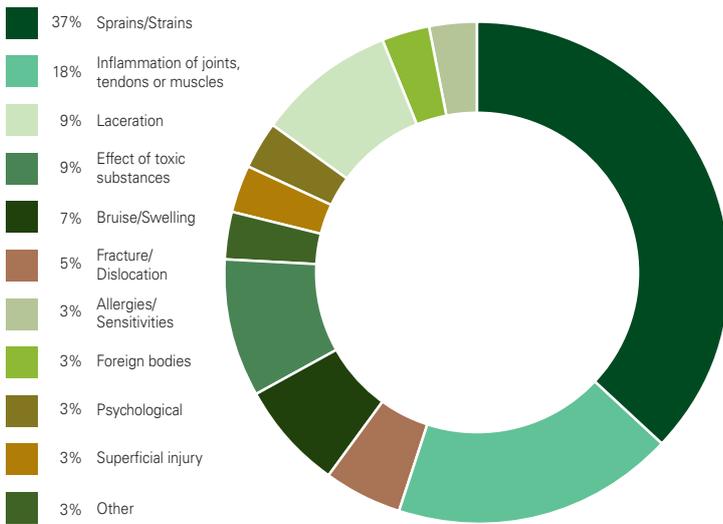
damaged. Thankfully both helicopters landed safely and no-one was injured in this incident. The Forests NSW helicopter has been repaired and continues to make an important contribution to Forests NSW prescribed burn and forest health survey programs. Forests NSW has made a claim on the pilot of the other helicopter involved in the incident for damages and related costs.



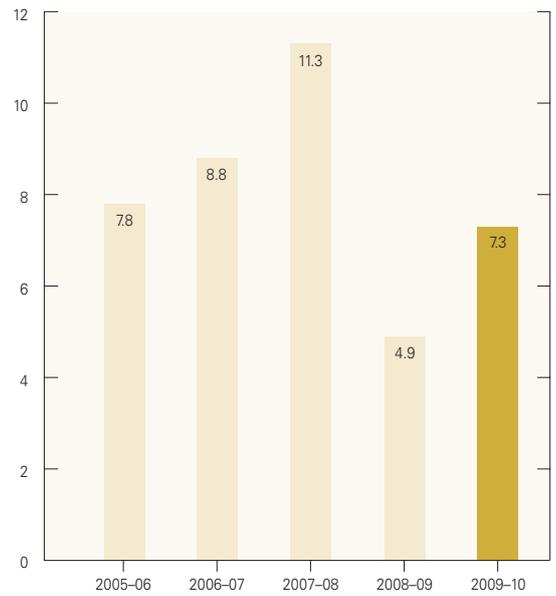


Photos by Phil Lacey

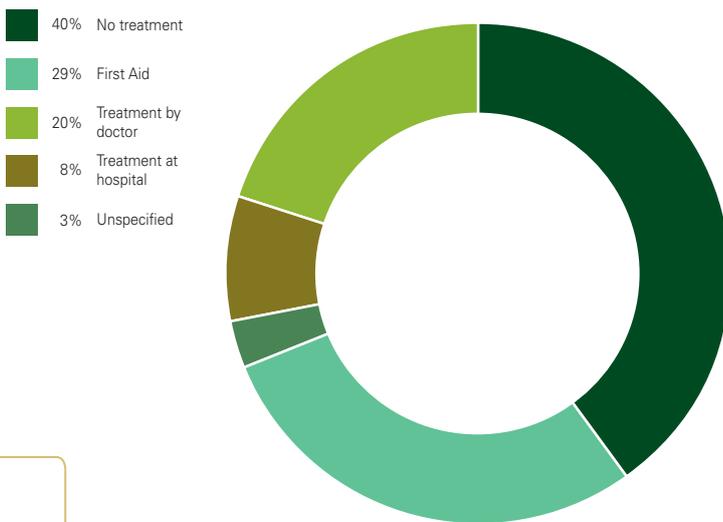
Recordable incidents by type of injury 2009–10



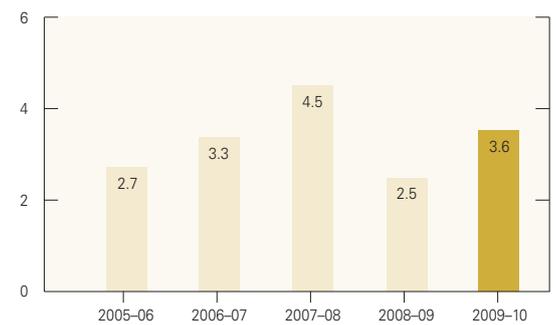
Recordable Incident Rate



Injuries sustained 2009–10



Lost Time Incident Rate

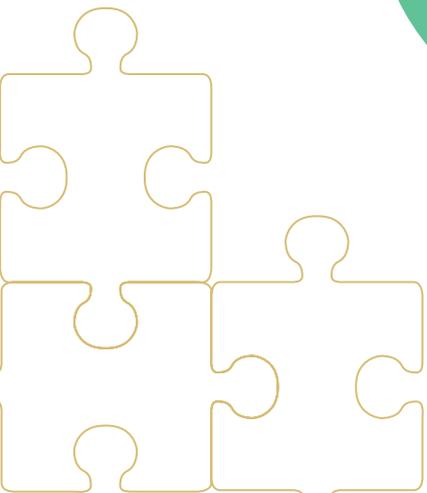


The Recordable Incident Rate (aka All Frequency Rate) is the measure of all recordable incidents, including Medical Treatment Only Incidents and Lost Time Incidents. A Medical Treatment Only Incident is any incident that requires medical intervention such as stitches, a prescription or a referral. A Lost Time Incident results in time lost from work of one day/shift or more.

The Lost Time Incident Rate is the measure of more serious recordable injuries, which result in time lost from work of one day/shift or more.

$$\text{Recordable Incident Rate} = \frac{\text{Total number of Recordable Incidents} \times 200\,000}{\text{Hours worked financial year to date}}$$

$$\text{Lost Time Incident Rate} = \frac{\text{Number Lost Time Incidents} \times 200\,000}{\text{Hours worked financial year to date}}$$



Forests NSW Central Region meets world best safety record

Forests NSW Central Region has achieved global best practice in regards to safety standards. Over the 2009–10 financial year Central Region's overall health and safety performance was outstanding with only one recordable incident for the period. The global best practice for forests industry is an incident rate of one, which is equivalent to 1% of recordable incidents. A recordable incident is an incident that requires some level of medical treatment, such as when a doctor prescribes a drug or uses their medical expertise to insert a stitch or take some other special action.

Forests NSW Central Region extends from Morisset to Kempsey on the North Coast and is responsible for the sustainable management of native forests in the area. The region has an equivalent full-time staff complement of 96 so this represents an incident rate of about 1 percent.

This result indicates that Central Region has now achieved the effective implementation of a good health and safety management system and developed a safety culture with the support of a proactive health and safety committee. Central Region has been showing continual year-on-year improvements, down from seven recordable injuries during 2008–09 and 11 recordable for the year before.

Importantly, Forests NSW and, in this example, Central Region, have demonstrated that workplace injury is preventable and that thorough investigation and actioning of incident reports tend to always identify a fault in the work processes that led up to it. Based on this result, Central Region has now set the standard for all other Forests NSW business units to meet.

Traineeships making a difference

In February, two Grafton men were selected under the Forests NSW Indigenous Recruitment Strategy to undertake a two-year Certificate III Traineeship in Forest Growing and Management.

Dane Walker and Cody Reti were recognised for their talent and potential to gain new and valuable skills over the next two years. The traineeship is based in Grafton and provides experience working in native and plantation forests on a 12-month rotational basis supplemented by TAFE study for the next two years.

The traineeship includes opportunities to undertake a variety of field-based and manual works including

slashing, spraying, firefighting, clearing tracks, pruning, maintenance of facilities and equipment, road construction, fire protection works such as hazard reduction burning, measurement and assessment of trees and general field work in plantations and/or native forest areas.

Forests NSW has partnered with the Aboriginal Employment Service on this project, which has assisted with recruitment and promotion and will be involved as the employer of the trainees, while Forests NSW will be the host employer to provide ongoing mentoring.



Hosted tours offer insights into forest management

Forestry can be a contentious topic in Australia and Forests NSW business attracts interest from local communities and interest groups across the State.

In response to this interest, Forests NSW continues to extend its offer to local communities to visit State forests and learn more about forestry and forest management. During 2009–10 staff hosted two tours of State forests near Eden. The trips focused on issues and operations specific to the NSW south coast, with staff presenting information about the local industry, various types of timber and forest products, and the strategies employed in sustainable forest management.

Hosted by chief executive, Nick Roberts, and southern regional manager, Ian Barnes, the trips were focused on key community representatives. The feedback received was overwhelmingly positive with attendees appreciating the opportunity to talk one on one with staff about the issues and get an up-close look at the processes Forests NSW employs.

For ten years, Forests NSW has also been running teacher education trips to forests – a great opportunity for teachers to see first-hand some of the processes they teach in class.

Over the year groups headed out to State forests near Bathurst and the Southern Highlands. The focus was pine plantations and examining the cycle from establishment through to harvest. The groups were able to see the variety of harvesting methods used in plantations associated with thinning and clearfall, as well as discuss forest management issues like fire and recreation management.

Thinning underway in East Boyd State forest during one of the Eden tours. Thinning removes poorer quality suppressed and sub-dominant trees and provides room for healthier and straighter dominant trees to grow on to produce high quality sawlog timber. Photo by Howard Spencer.



ENVIRONMENTAL

Forest value	No.	Indicator	Results	Performance
Biodiversity	11	Extent of forest type	Total forest estate managed 2.4 million hectares	●
		Native forests	1.9 million hectares of native forest estate ¹ 205 929 hectares of softwood and 45 141 hectares of hardwood plantations;	
	12	Planted forests	250 229 hectares of future plantations & retained vegetation and infrastructure; 8079 hectares of softwood and 1 118 of hardwood plantation planted	●
		Native forest structure	26% regrowth, 28% mature, 5% high conservation value old growth, 5% rainforest and 36% unassigned	
Forest health	13	Surveyed species	50 targeted species found with 1 997 fauna sightings. The drop in sightings compared to last year is associated with fewer targeted bat surveys	●
	14	Pests and weeds	\$1.7 million spent on feral animal and weed control, an increase of \$230 000	●
	15	Plantation health	Overall maintenance of planted forest health, based on forest health sample surveys undertaken	●
Soil and water quality	16	Firefighting and prevention	1.6% of State forests burnt by wildfire;	●
			23.4 % of State forests treated by fuel management strategies; \$10.7 million spent on fire prevention and control	
Compliance	17	Protection of soil and water	\$5.4 million spent on harvesting supervision and environmental compliance in native forests	●
			252 826 hectares of State forests primarily managed to protect water catchments	
Environmental services	18	Regulatory compliance	5 fines issued; 0 prosecutions	●
	19	Carbon sequestration	Over 4.3 million tonnes of CO ₂ -e sequestered by plantations and an estimated net 1.6 million tonnes of CO ₂ -e sequestered by native forests; Estimated 14 128 tonnes of CO ₂ -e emitted, including previously unreported heavy truck and plant	●
			2.5% of electricity sourced from green power; 11.3% drop in fleet size over 2008–09 figure;	
20	Energy consumption	Increase in diesel and petrol fuel associated with improved reporting methodology. Omissions in the previous reporting methodology make comparisons difficult	●	
21	Material consumption and recycling	60% drop in the reported potable water usage compared to 2008–09	●	
		5% increase in the percentage of materials recycled		

¹Excludes 151 000 hectares of retained forests and vegetation in the planted forests estate

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

Maintaining and improving values

Establish

While foresters are often seen as only cutting trees down, it is in the regeneration or planting of forests that much of our foresters' skills lay. Without these interventions forests do grow or regrow, but often much slower and with species that are less beneficial for social, environmental and economic values.

Afforestation of historically cleared land has not only been undertaken within our own estate, but also for a number of clients. In April 2010, Forests NSW handed over management responsibility for 80 hectares of spotted gum plantation, which it had successfully established on mining buffer land near Singleton in the Hunter Valley. The plantation demonstrates an alternative use for these buffer lands, which would have originally been forested.

In another project Forests NSW, in partnership with MidCoast Water, has successfully planted 65 hectares of hardwood plantation on the previously 'bald' hills in the catchment of Bootawa Dam near Taree. No chemicals were used in site preparations, with 72 000 eucalypt saplings planted in protective sleeves. Management of the plantation by Forests NSW will continue until the trees are well established. The plantation is designed to maximise carbon sequestration over the next 40 years.

Maintain

Forests NSW harvests native and planted forests according to best silvicultural principles with input from a range of stakeholders. The consultative process culminated in the NSW Forest Agreements for coastal forests and subsequent agreed outcomes for inland areas. Since the NSW Forest Agreements were signed, Forests NSW manages its coastal native forests under Integrated Forestry Operations Approvals. These approvals require Forests NSW to operate within a range of conditions designed to protect forest ecosystems into the future.

Indicator 18 on page 43 reports our compliance against a range of conditions and requirements. Forests NSW undertakes thorough internal compliance checks using a four-tier system ranging from direct supervisor monitoring through to branch and corporate level environmental audits.

While these checks generally confirm compliance, a number of non-compliance incidents are reported from time to time. These incidents are tracked until they are resolved and corrective action has been implemented.

External audits are undertaken to check compliance against legislation, regulation and internationally recognised standards. Forests NSW performance in these audits is reported in Indicators 18 and 30.

Native forests operations was the subject of a range of objections raised by Non-Government Organisations. These included concerns associated with threatened species in a small number of State forests in the north east of the State, koala protection measures within harvesting in three south coast State forests and water supply and quality for the town of Wyndham in planned harvesting in Yurammie State Forest. Forests NSW has worked closely with the NSW Department of Environment Climate Change and Water (DECCW) and the Non-Government Organisations to address these concerns. This enabled the completion of harvesting in some State forests, while other harvest operations have been delayed in order to facilitate further consultation.

Harvesting operations in Yabbra State Forest near Urbenville resulted in DECCW issuing penalty notices for five breaches of the threatened species licence. Following a complaint to Forests NSW it was also found that the harvesting intruded on a neighbouring property. In its review of the conduct of the harvesting, Forests NSW found a number of breaches of the Integrated Forestry Operations Approval and remedial works were put in place.

Improve

Silviculture, the management of forests, is not only about protecting ecosystems, but improving how the forests are used. This is demonstrated in examples such as the Koondrook-Perricoota forests Flood Enhancement Project (see page 21) and in the work undertaken to restore the health of native forests affected by Bell Miner Associated Dieback.

While some improvements are provided through external funding, much of Forests NSW management of State forests is funded through revenue generated from sustainably harvested timber (see the graph on page 27 to compare Forests NSW revenue sources).

As custodian of the forests it is Forests NSW goal to leave the forests in as good or better condition for future generations, while providing sustainable and essential resources for the present.





Photo by David Barnes



River red gum forests

In May 2010, the NSW Government announced that 112 404 hectares of river red gum forests managed by Forests NSW would be transferred to other tenures from 1 July, 2010. Forests NSW will no longer supply the

region's timber processors from these forests. The NSW Government is providing structural adjustment funding for affected sawmillers. Details can be found at: www.riverredgums.nsw.gov.au

Breakdown of Forests NSW managed lands transferred to other tenures as of 1 July 2010

Tenures	Hectares
Transferred to national/regional parks	75 609
Vested in the NSW National Parks and Wildlife Minister	7050
Murrumbidgee Irrigation Area	5889
Transferred to Crown Land	3172
Transferred to Aboriginal ownership	20 684
Total State forest transferred	106 515
Total area transferred including Murrumbidgee Irrigation Area	112 404

Regulatory compliance

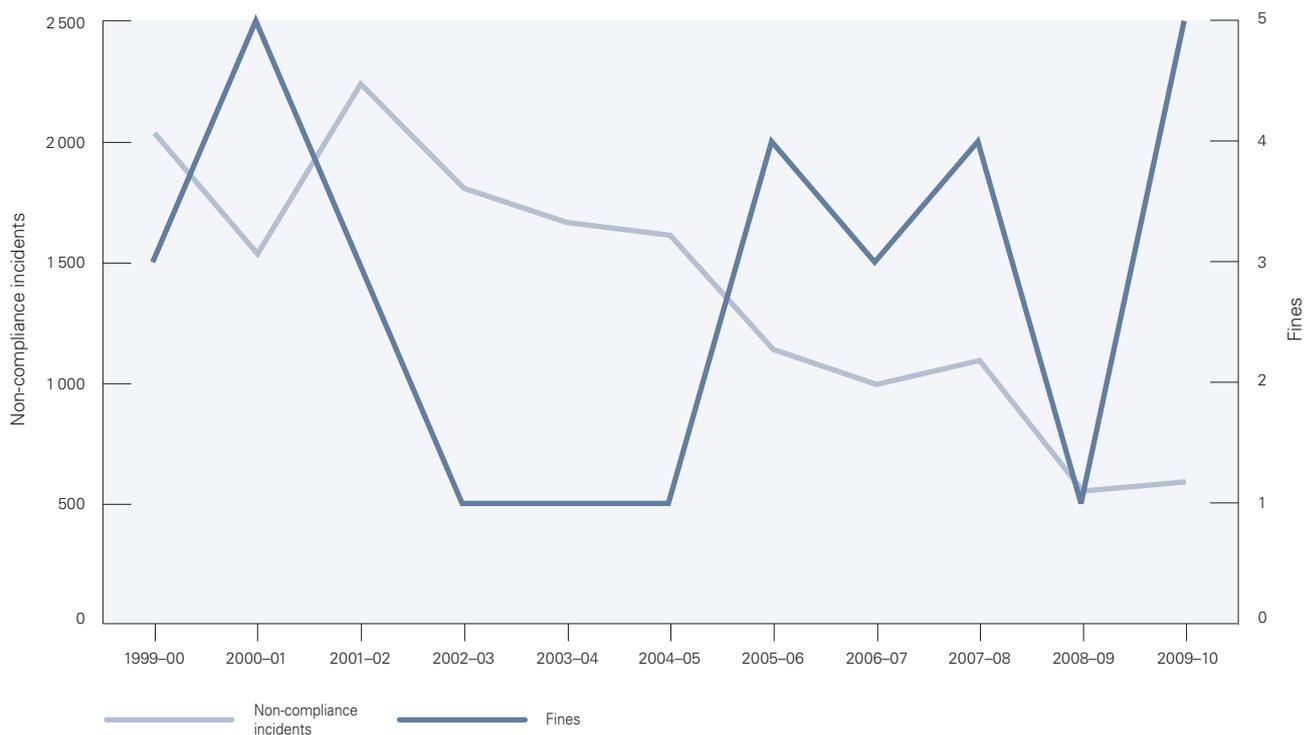




Photo © Forests NSW Image Library

Water, light and soil

To manage forests and keep them healthy, foresters manipulate how much light reaches the forest floor, while working to improve the soil over time. All of this is done within the limitations of the climate and, in particular, the water available. In the south west of the State the river red gums grow on flood plains, fed by rivers that have been increasingly regulated over the last century to provide water for agricultural, industrial and domestic needs.

The Koondrook-Perricoota forests Flood Enhancement Project is a \$60 million construction project that aims to deliver environmental water into these water-starved flood plain forests. Forests NSW, in partnership with the NSW Office of Water, has undertaken the project with funding from the Murray Darling Basin Authority 'The Living Murray' initiative.

As part of our commitment to manage the forests in an ecologically sustainable manner, Forests NSW has played a substantial role in the pre-construction phases of the project. Forests NSW developed the key ecological outcomes to be delivered by the scheme and worked in partnership with engineers and designers to prepare the detailed design.

During 2009–10, a comprehensive environmental assessment of the project was prepared and submitted for approval by the NSW government. Forests NSW provided field support, information about the forest, and expert review.

Forests NSW also played a key role in engaging and communicating with the local community, presenting information about the forests at local community and industry forums. Indigenous consultation is considered critical to the success of the project, and Forests NSW convened an advisory committee comprising of Traditional Owners and Local Aboriginal Land Councils in order to incorporate Indigenous needs and aspirations for cultural heritage management within the forest into the project and ongoing water management.

The scheme comprises of a four-kilometre long channel to divert water from the Torrumbarry Weir pool into the forest, and a number of water-regulating gates to manage floodwater within the forest. This approach ensures an environmental outcome can be achieved in the most water-efficient manner possible. It is an excellent example of how water can be shared to meet the needs of the environment as well as the needs of the broader community and consumptive users.

Construction is expected to be complete by June 2011, with flooding of the forest anticipated in spring 2011 if environmental water is available.





Photos by Brad Law

Making biodiversity cost-effective

Small bats (Microchiroptera) are a diverse and threatened component of our forest fauna. Forest surveys use bat detectors to record ultrasonic echolocation calls of bats as they fly and go about their nightly business.

The success of bat call surveys depends on the ability of surveyors to detect and recognise all target species resident in the study area. The automation of bat call identification is an essential development in the efficiency of this survey method and should ultimately improve the ability to distinguish between species and increase the speed of call identification.

Research published during the year by the Forest Science Centre, I&I NSW, describes bat call identification keys to link with new software to automate this process. The system will help Forests NSW save time and money in proposed biodiversity monitoring.

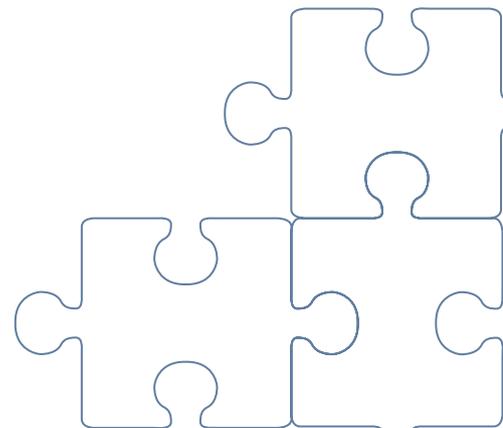
Just as people who live in different regions have different speech patterns, so do bats living in the forests along the east coast of New South Wales. This regional difference in dialects was just one aspect taken into consideration in developing a system to better identify bat calls in NSW.

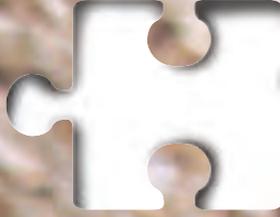
New technology, such as memory cards, now allows thousands of calls to be recorded in a survey. In the past, individual displays of each call were compared with known call patterns to help identify the species, making identification extremely time-consuming and subjective.

The new research used a reference library of more than 4 000 bat calls and AnaScheme, a software program devised to automate the process of call identification, in conjunction with identification keys for bat calls in different parts of NSW. The software relies on field recordings of bat calls made using a bat detector. The recorder can be left in the field for long periods, automatically recording echolocation calls of bats as they fly by.

Automating the identification process will lead to time and money savings in undertaking the field surveys, increase the accuracy rate and make long-term monitoring of forest bats cost-effective.

This project is being undertaken by a collaborative team of scientists including Dr Brad Law, Maria Adams and Mark Chidel from I&I NSW and software designer, environmental scientist Matthew Gibson from the Centre for Environmental Management, School of Science and Engineering, University of Ballarat, Victoria. Funding for the research was received from the Australian Biological Resources Study.





Base

Forests NSW operates mainly on State forests, which are organised into management units (compartments). Precision surveys are carried out to ensure that Forests NSW or contractors do not operate on neighbours land. Where boundaries are difficult to determine Forests NSW survey units can be called on to check them.



Social

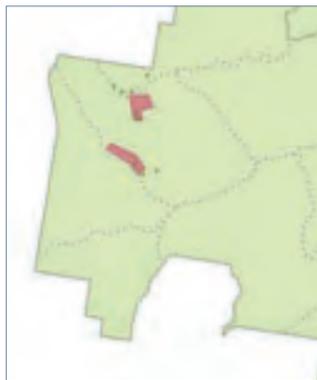
Safety in the forest is paramount to Forests NSW and for every activity undertaken by the organisation or its contractors a safety plan is developed and hazards identified. Safety meeting points and helicopter landing sites are identified in each operational plan in case of emergencies.



State forests are for everyone and they have a long history of indigenous and non-indigenous use. In this compartment areas of Aboriginal cultural and non-Aboriginal heritage have been protected. Within the harvest area there is a gold mine and an old boiler last used before World War Two. Forests NSW encourages recreational use of State forests and our road network provides access to significant areas of forest.

Research

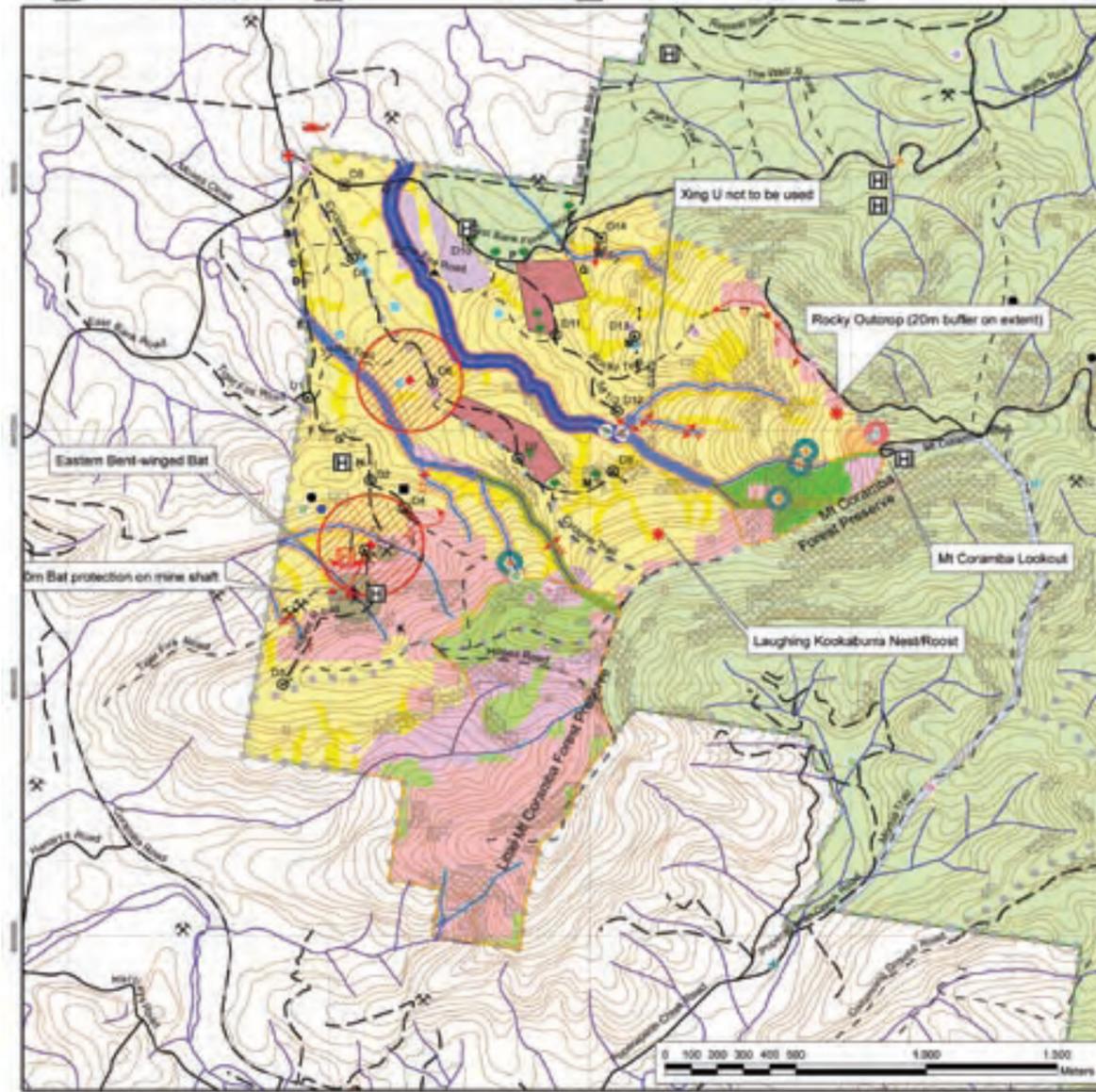
Forests NSW has been carrying out research for nearly 100 years on subjects as diverse as water quality, fauna habitat requirements, genetics and silviculture (forest management). In this area a research trial has been excluded from harvesting. This trial was established after a wildfire in the 1960's and through many years of study has been used to underpin mathematical models on how blackbutt forests (or stands of blackbutt) grow and respond to different forms of silviculture. 'Plus Trees' have been identified throughout this and other State forests because their superior attributes make them best suited as a source of seed used in establishing plantations.



Mapping sustainable forestry

This harvest plan for Orara East State Forest in North East Region has been separated into layers to explain the range and depth of consideration taken in planning and implementing native forest harvest operations. The map is a critical element of a harvest plan and it is

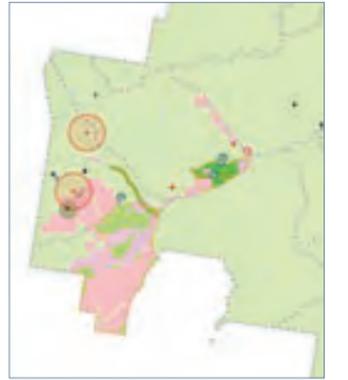
complemented with detailed instructions and records of actions taken to ensure the harvest operation is carried out to best meet the range of social, environmental and economic goals that are documented in each region's Ecological Sustainable Forest Management Plan.



MAP FEATURES	DUMPS & CROSSINGS	RIPARIAN PROTECTION (TSL, EPL & FL)	THREATENED SPECIES LOCATIONS
<ul style="list-style-type: none"> State Forest Boundary Forest Preserve Boundary Compartments Boundary 50 / 100 m Contour State Forest Slopes > 30 degrees Mine Site Plus Trees Emergency Meeting Point Helicopter Evaluation Site 	<ul style="list-style-type: none"> Temporary Dry/Wet Dumps Approved Road Crossing Approved Sing Track Crossing Approved IFGA Exclusion Crossing 	<ul style="list-style-type: none"> Riparian (RHC 1 & 2) Filter 5m either side Protection 5m either side Protection 15m either side Protection 25m either side Protection 45m either side Operational zone 10m either side 	<ul style="list-style-type: none"> Wompos Fruit Dove Barking Owl Masked Owl Sooty Owl Glossy Black-Cockatoo Glossy Black-Cockatoo feed tree Giant Banded Frog Sphagnum Frog Koala Little Bent-wing Bat Golden-tipped Bat Yellow-bellied Glider Habitat Feature
<ul style="list-style-type: none"> Scalped A3 Weather, Unscalped Dry Weather, Unscalped 4WD Track 	<ul style="list-style-type: none"> General Management (FMZ 4) Areas for Further Assessment (FMZ 8) Special Prescription - 80% canopy retention (FMZ 3B) Hardwood Plantations (FMZ 5) Thinning Trial (harvest exclusion) 	<ul style="list-style-type: none"> Sphagnum Frog Buffer (50m) Bat Roost Protection (1E, 50 or 100m) Sarcophilus hartianni Buffer (50m) Yellow-bellied Glider - Modified Harvest (200m) Ridge & Headwater Habitat: 40m wide exclusion 	<ul style="list-style-type: none"> Sarcophilus hartianni Sarcophilus fitzgeraldii
<ul style="list-style-type: none"> Special Management (FMZ 2) Harvesting Protection (FMZ 3A) High Conservation Value Old Growth (FMZ 2, 3A) Rainforest - Craft + RN17 (FMZ 2, 3A) 	<ul style="list-style-type: none"> Non-Aboriginal Heritage 		

Ecological prescriptions

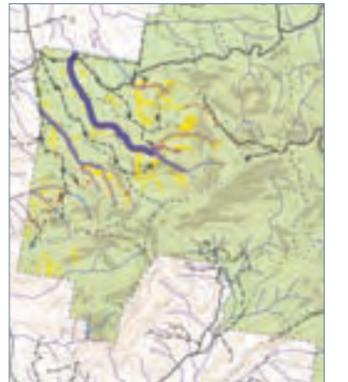
In this harvest area 34 hours of day and night surveys were carried out during harvest area planning to identify the threatened plant and animal species. Yellow bellied gliders, koalas, rare frogs and bats are some examples of what was found. Prescriptions developed by leading experts are applied to ensure the habitat for these threatened species is protected, such as buffers around old mine sites where bats roost.



Each area of the forest is then assessed as the forest is marked for harvest by specialised field officers. At this stage hollows and trees with the potential for hollows are retained. Compartment mark-up and harvest supervision ensure that the ecological values of our forests are not compromised.

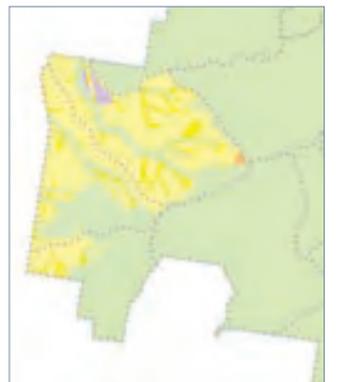
Water quality

Maintaining a high standard of water quality is critical to achieving sustainable forest management. Streamside reserves, where harvesting is excluded, filter water runoff and protect important habitat. In addition ground disturbance is minimised in the next ten metres adjacent to these reserves. Conditional approval is required to cross drainage features to ensure water quality is not compromised. During harvesting work is carried out to ensure that crossings, extraction tracks and log dumps are stable with no potential for erosion. Roads are a major potential source of water pollution and Forests NSW ensures that roads are designed and maintained to reduce the risk of soil movement into streams.



Harvesting prescriptions

During harvest planning identified special values and protected areas are subtracted from the base map giving the net area available to harvest. In this area silviculture – the art and science of growing trees, is carried out to harvest timber, but more importantly ensure that the forest continues to grow healthy and quality trees into the future. Often further values of importance that have not been excluded from harvesting, such as habitat and visual amenity, are maintained through modified harvesting techniques. In the harvest area shown a silvicultural system called Single Tree Selection has been used to provide timber for regional industry and consumer demand for sustainably grown timber whilst ensuring that the forest is maintained.



ECONOMIC

Forest value	No.	Indicator	Results	Performance
Marketing and sales	22	Volume of timber harvested	Increase in logs harvested from 2.66 to 2.81 million m ³ of logs and in pulp harvested from 1.65 to 1.79 million tonnes. This relates to increases in softwood sales	●
	23	Product mix of timber harvested	No survey undertaken, however the proportions of broad product types sold remains stable	●
	24	National Greenhouse Abatement Certificates created	100% (27 467 hectares) of eligible plantation accredited for carbon trading	●

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



Performing above expectations

Forests NSW recorded a trading profit of \$19.7 million before tax, a strong financial performance during a year affected by the global financial crisis.

Furthermore, the sustained focus by Forests NSW on business improvement strategies over the last 12 months, together with higher than anticipated timber sales, has resulted in Forests NSW generating strong cash flows. Forests NSW was able to generate an operating cash surplus of \$38.9 million which was used to pay down \$28 million of debt including accrued interest, resulting in a net reduction of \$24.5 million in total debt and allowed for the investment of \$13.3 million in new fleet and other equipment (See page 29 for more details) as well as the purchase of 7 000 hectares of established plantation areas (See page 28 for more details). Ongoing saving in interest costs as a result of lower debt is around \$2.2 million a year.

Specific increases in sales volumes included commencement of supply of an additional 300 000 tonnes of pulp logs for Visy Stage 2 and export of 32 500 tonnes of pine sawlog to China (see page 30 for more details).

A positive result of this strong financial performance was that Forests NSW credit rating was upgraded from BB to BB+ by the credit rating agency Moody's. This demonstrates Forests NSW fiscal discipline over the last year.

After adjustments for movements in the value of the forest, defined benefit superannuation liabilities and the write-off of a large deferred tax deduction as determined by NSW Treasury, Forests NSW recorded an after tax loss of \$232.2 million.

Revenue growth

Major log price review

Forests NSW implemented a structural price increase for native forests and plantation hardwood logs from April 2010. This was the first of six planned successive three per cent structural price increases due six monthly until completed. The price increases better recognise the market value for timber grown in State forests and will provide for a stronger return on timber production.

The price increases were applied after two years of extensive negotiations, which included consultation with industry groups and customers. Implementation of the price increases was delayed for six months to allow for the consultation with customers to be completed.

Carbon trading

This year Forests NSW sold 235 716 NSW Greenhouse Abatement Certificates (NGACs) registered in the NSW Greenhouse Gas Reduction Scheme. Uncertainties around the introduction of the Australian Government's Carbon Pollution Reduction Scheme, and subsequent scrapping of the Scheme, saw steady sales of NGACs throughout the year.

On 30 June 2010 Forests NSW registered a further 622 567 Greenhouse Abatement Certificates in the NSW Greenhouse Gas Reduction Scheme. This is the sixth consecutive year of successful registration and brings the total number of certificates the organisation has created to 3 277 469.

Strategies improving performance

Forests NSW has continued with implementation of recommendations from benchmarking exercises to improve performance. Some of these include:

- Finalised the geographic information systems upgrade with an improved structure to deliver forest planning and information across the business. Upgraded systems are now supported by staff located in two major centres, rather than resources in regions throughout the State
- Completed a review of the Amenity Nurseries Business and actions implemented to improve performance
- Continued development and introduction of a number of online systems both internally such as online purchase orders, and externally with permits and licenses.

Revenue sources 2009–10



45.6%	Royalties from sale of timber and other products ¹
41.4%	Contract harvest and haulage ¹
7.8%	Other services rendered
3.7%	Grants
1.5%	Rental income and interest received

¹ Combined, these give the revenue generated from timber supplied to processors and other products.

Other factors impacting on performance

Managed Investment Schemes

During 2009–10 Forests NSW continued to provide forest management services to three fund management companies that offer forestry investment products to private investors. Forests NSW established a total of 3 890 hectares for these companies during the reporting period.

Following the appointment of a receiver and manager to one company in April 2010 and another facing financial difficulties as at 30 June 2010 and considering the overall decline in forestry managed investment schemes, Forests NSW will be reviewing its business strategies in this area.

Acquisition

Forests NSW purchased 7 000 hectares of plantation forests from TEPCO Forests Australia in March 2010.

The plantation forests purchased are a mix of hardwood and softwood species and are strategically located in three forestry regions.

The age of the forests complements Forests NSW existing planted forest estate, as the timber from the forests will help fill some gaps in future wood supply, and in doing so ensure the continuity of domestic wood supply to the people of NSW.

Managing our growing and harvesting operations

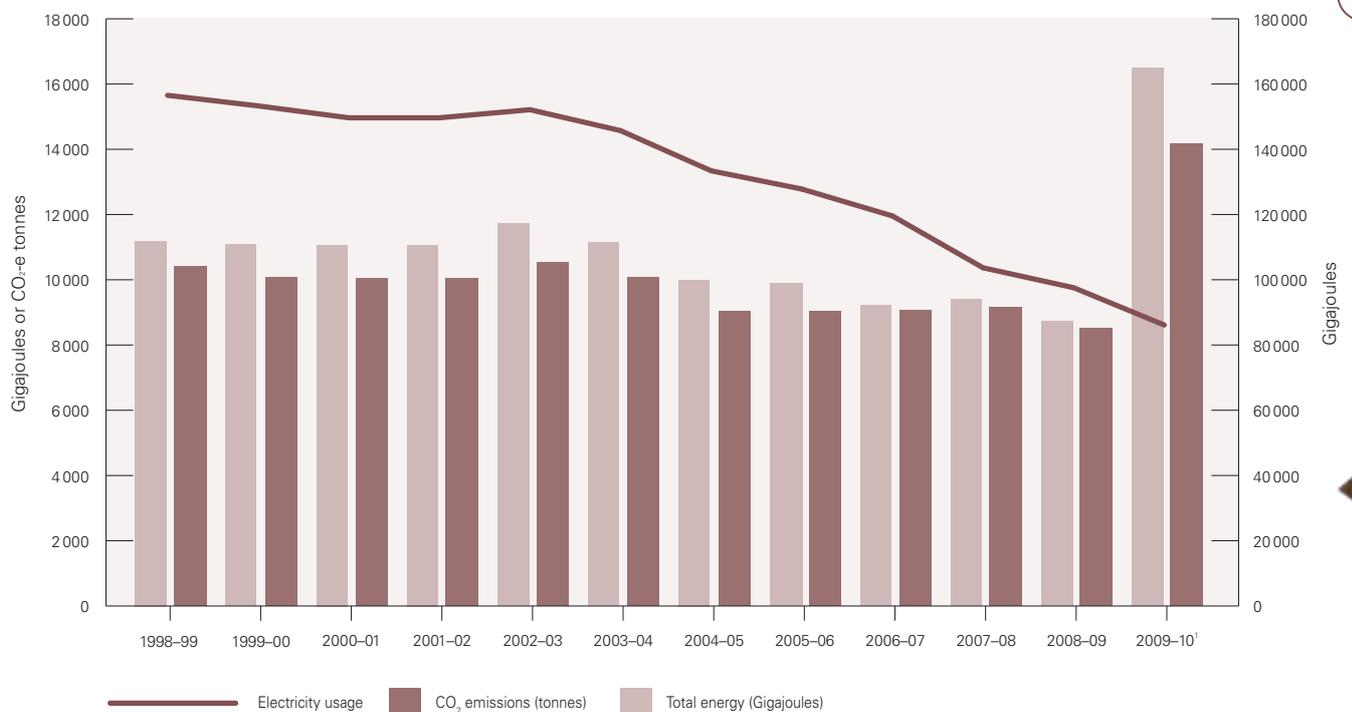
Work has begun on projects involving site-specific silviculture and refining the methodology that determines the best way to cut a tree into logs suitable for various customers. These projects will take a number of years to complete, but it is expected that they will yield savings as they are progressed.

The increased demand for timber brought about by the Visy expansion, as well as the improved timber market, involved the expansion of some current harvesting and transport contractors' operations and the inclusion of some new contractors into current operations. Forests NSW is looking at better management of forest logistics to ensure we have the right capacity aligned to supply contracts.

Looking ahead

The last two years have been clouded by turbulent conditions, initially by the high interest rates that prevailed in 2008–09, and then by a number of economic factors, including stimulus and low interest rates. Although demand for housing is still strong, lower than anticipated home loan approval rates, indicate continued constraints on lending. Residential construction, including renovations and additions, remains the primary market for Forests NSW customers. This is not expected to change significantly in the year ahead.

Energy and carbon emissions trends



¹ Note that data for CO₂ emission and Total energy include diesel from large trucks and plant that was not reported before. Previously only non-bulk purchase fuel data had been available for reporting.



Fleet upgrade keeping Forests NSW competitive

Managing the State forests of NSW requires a wide range of expertise and resources. Appropriate vehicles and heavy plant are essential resources for day-to-day forest operations. During the year Forests NSW began an extensive upgrade of its heavy and light fleet in order to improve efficiency, productivity and safety.

With over 600 State forests spread throughout the State a reliable vehicle fleet is essential for effective forest management.

During 2009–10 Forests NSW committed over \$13 million in new vehicles and plant. This program has seen the replacement of over 120 Ford Rangers in our light vehicle fleet, two large D8T tractors, seven graders and two wheel loaders. As of the end of the financial year there are another five smaller tractors on order, along with nineteen larger trucks in various sizes and configurations.

Investing in new fleet ensures we have the resources to operate effectively and our people are using equipment fit for the purpose and safe for the jobs at hand. It also

helps to ensure fuel usage and ongoing maintenance are kept low – a better outcome for the environment and economic performance.

A large part of forest management is the construction and maintenance of roads for harvesting. Forests NSW maintains approximately 84 000 km of roads and trails to access the forest for harvesting. A large proportion of these roads are also used by the community for local access, recreation and tourism.

Firefighting and asset protection are vital parts of forest management and multi-purpose equipment is pivotal to these operations. In 2009–10 Forests NSW spent over \$10.7 million on firefighting and fire prevention. All of the new vehicles we have purchased are multi-purpose; suitable for roadworks or harvesting and can be quickly converted for use in firefighting.

All of Forests NSW fleet are purchased through an open tender process, ensuring the organisation gets the best value for money available.

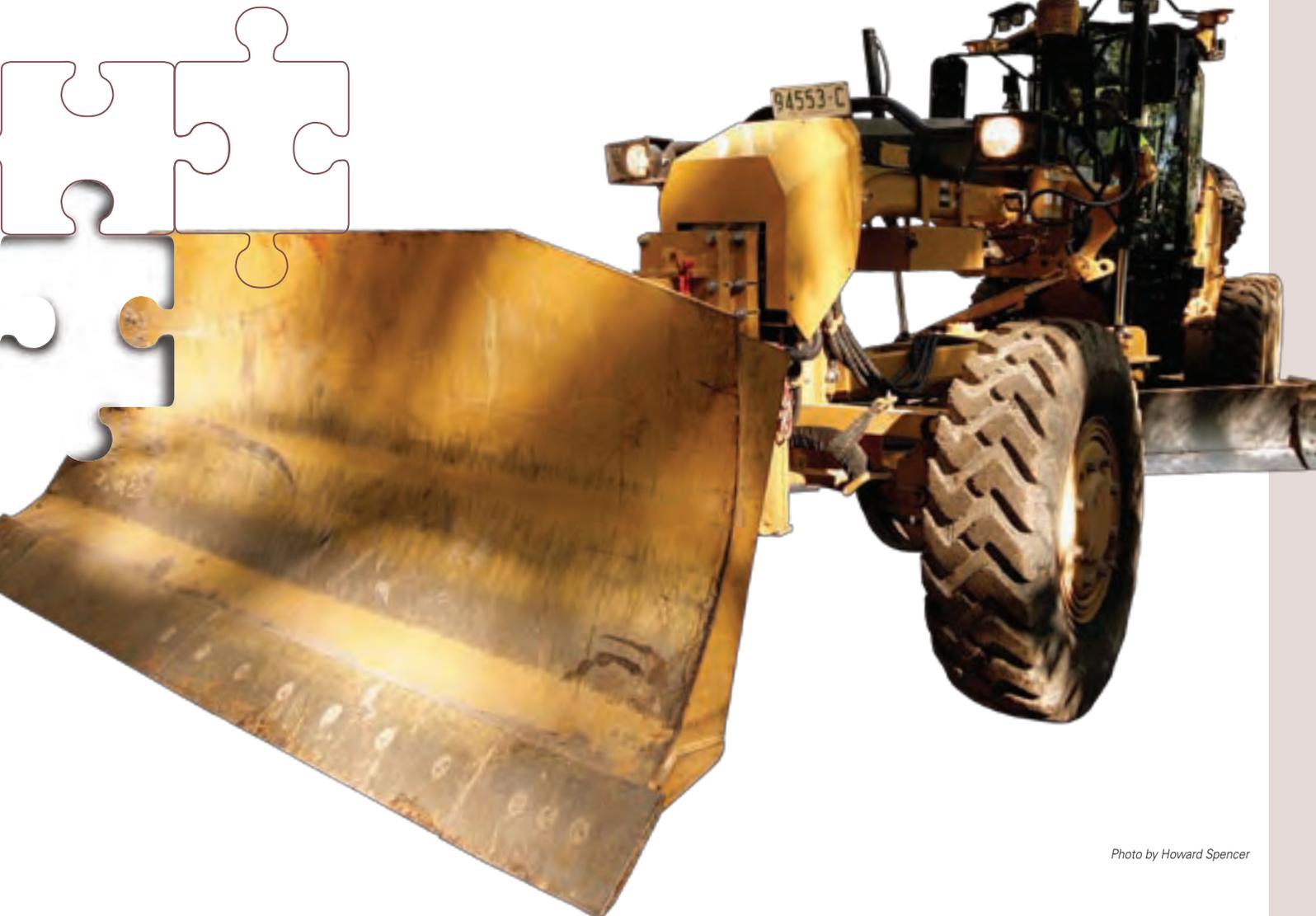


Photo by Howard Spencer



Photo by Howard Spencer

Opening export market for NSW pine plantation timber

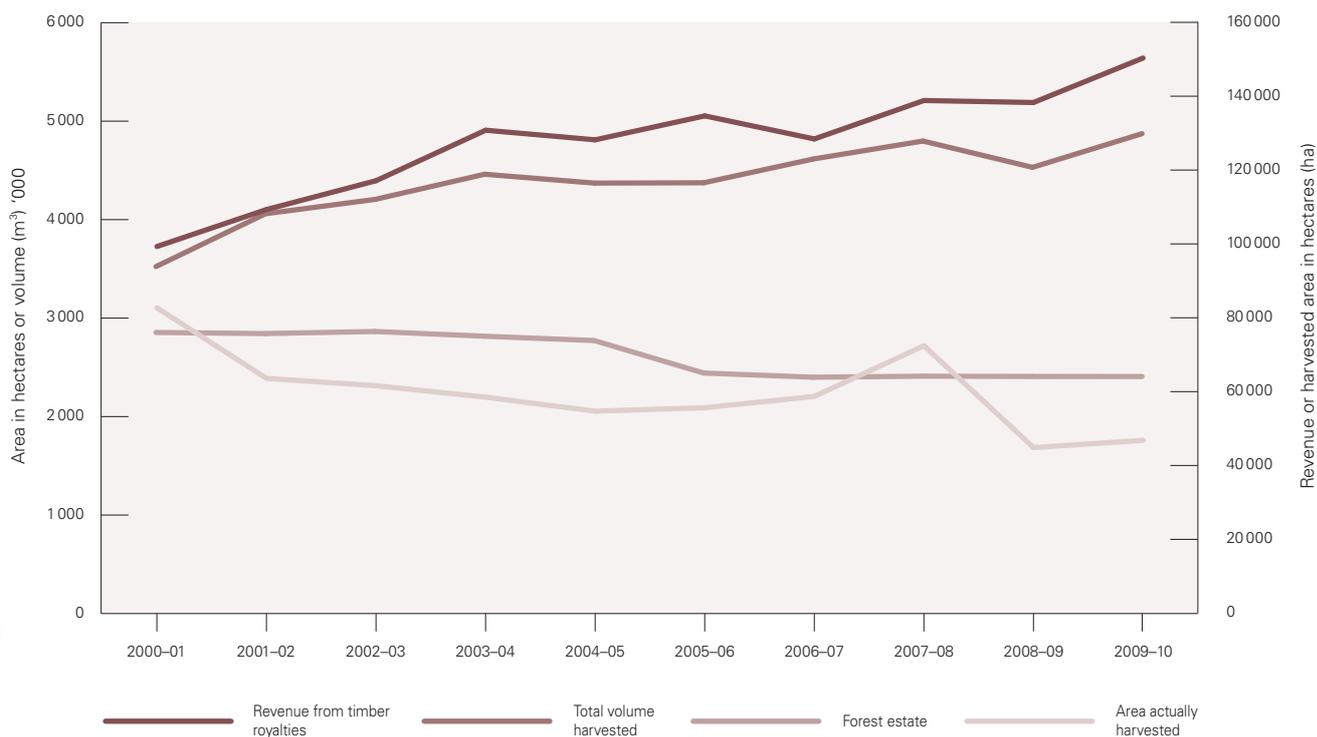
China has become a new market for pulp logs and sawlogs from Forests NSW *Pinus radiata* estate and private plantations in the Walcha and Nundle area as part of a contract worth \$11.5 million with exporters MTX Australia. The first shipment of 32 500 tonnes of softwood logs left the Port of Newcastle in June.

The two-year contract has also secured more jobs for regional NSW, with the increased demand meaning additional harvesting and haulage crews have been employed with more than 20 full-time positions created in establishing the log export operations.

MTX Australia secured the sale after Forests NSW tendered a parcel of pulp and sawlogs in early 2010.

The new market also means that the harvesting operations produce much less waste, with better utilisation of the full range of products, having a positive effect on the environment and making the re-establishment of plantations after harvesting easier.

Forest productivity





SUSTAINABILITY

Forest value	No.	Indicator	Results	Performance
Productivity	25	Forest management	1.38 million hectares available for timber production; Over 448 110 hectares in State forest reserves; 305 000 hectares of other forest managed for ecological functions	●
	26	Plantation establishment and survival	9 197 hectares of plantations established 29% of softwood plantations and 87% of hardwood plantations underwent restocking after 1 year	●
	27	Mean annual growth of planted forest	Mean annual increment for softwood plantations of 16.9 m ³ /ha/yr and 13.3 m ³ /ha/yr for hardwood plantations	●
	28	Native forest regeneration	3% of relevant area harvested was surveyed, with 95% of this area successfully regenerated	●
Maintainability	29	Allowable cut	Actual annual yield of high quality sawlogs as percentage of allowable volume: · 81% from native hardwood forests; · 100% from cypress; · 88% from all softwood plantations	●
	30	Forest certification	Recertification to the Australian Forestry Standard (AS 4708:2007) was successful and certification to ISO 14001:2004 Environmental Management System Standard was maintained	●
	32	Trading profit	\$23 500 trading profit per employee generated	●

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

Sustainability

The concept of sustainability was originally developed through the recognition that harvesting too much today would leave one without in the future. Initially foresters focused on ensuring a balance was struck between how much could be harvested and how quickly the forests grew. That is still at the centre of what Forests NSW does, but the organisation also recognises that maintaining supply is only one piece in the puzzle. Ensuring that the forests maintain the range of social, environmental and economic values, such as opportunities for recreation, biodiversity and employment are further pieces in the puzzle. These management goals are not only interlinked, but interdependent.

Future forests

A fundamental part of sustainable management of State forests is ensuring that forests regenerate successfully after they are harvested. To achieve this in plantations, Forests NSW has a large annual planting program. For the 2010 planting season approximately 10.5 million pine seedlings and cuttings and 3.4 million other species were sent from Forests NSW nurseries for planting.

Eight million of the 10.5 million pine seedlings and cuttings were produced at Forests NSW Tumut Nursery,

near Blowering Dam, where up to 35 casual staff are employed, in addition to the nursery's permanent workforce. The remaining seedlings come from Forests NSW nurseries at Narrandera and Grafton.

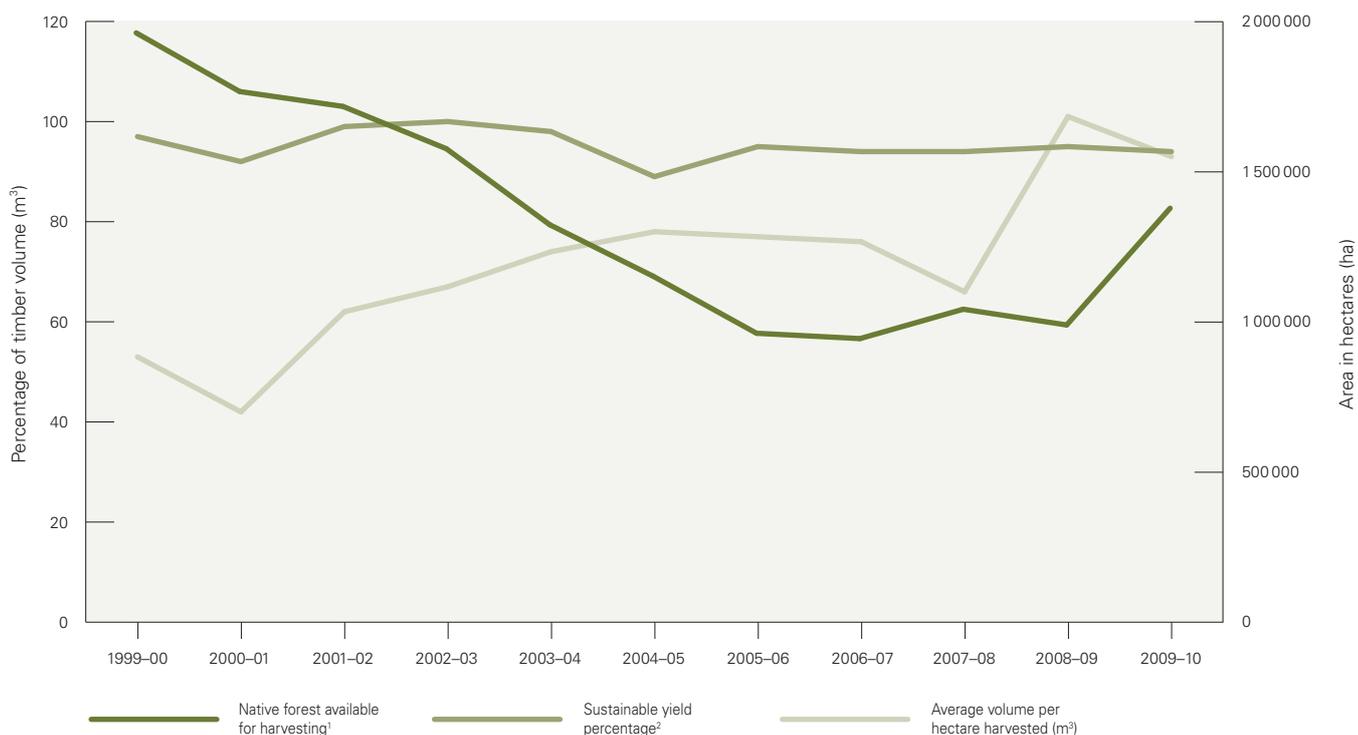
The nurseries use seed bred from elite trees, chosen for higher germination rates and the production of more vigorous and robust seedlings. Forests NSW does not use genetically modified organisms; one of our commitments under the Australian Forestry Standard.

Recently Forests NSW adopted containerised seedlings with nearly 4 million produced at the Tumut Nursery this year.

Producing seedlings in containers, rather than with bare roots, has resulted in a range of benefits:

- up to 50% reduction in water and chemicals to grow the crop;
- an increased return from the seed sown each year;
- an increased survival of seedlings after planting;
- improved work environment to improve the safety of employees; and
- greater flexibility in planting, allowing earlier or later planting out or even postponing planting until the following year, depending upon weather conditions.

Forest sustainability



¹ The increase in the estimate of area available for harvest is explained by a change in statistical methodology rather than a rezoning of forests.

² See Indicator 29 on page 49 for a definition.



Photo © Forests NSW Image Library



The bulk of planting this year has been in Forests NSW two main pine growing regions in the South West Slopes and the Central West; Hume and Macquarie regions.

The expansion of Blowering Nursery's current holding capacity by installing a rolling bench will be completed in late 2010 at a cost of \$1.5 million. This will expand the nursery's capacity from 4 million containerised seedlings per annum to 8 million per annum.

Fire management

Fire is both a constructive and destructive element in the management of forests. It is used by Forests NSW to avoid build-up of fuel material in the forests, to encourage a diversity of stand structure and encourage regeneration in native forests. However wildfires can cause significant damage, particularly in plantations, where so much value has been invested in establishing the trees.

Fire management in the 2009–10 year began with a dry winter and strong winds. Hazard reduction in July 2009 was limited by the difficulties of restricting the spread of fire and was abandoned early; by August large areas of the State were affected by wildfire. This was an early start to the fire season, but the temperatures remained mild and damage

to the forests was contained to 1.6 per cent of the forest estate. Numerous fires continued all spring and by December hotter conditions raised concern about the ability of ongoing resourcing to control the fires. Fortunately widespread rains occurred in late December with follow-up rains in January and February that greatly reduced the number and severity of wildfires. The autumn months provided suitable conditions for hazard reduction and much of the backlog of planned burns was achieved.

Total area of the forests affected by fire was 35 069 hectares of prescribed burning and 37 610 hectares of wildfire. The corporate target of restricting damaging wildfire to less than 0.3 per cent was achieved, as damage to planted forests was limited. There were some 15 fires over 690 hectares of plantation areas, half of which were not damaging due to age-class or severity.

Forestry staff were also involved in multiagency fires off State forest tenure, with many hundreds of thousands of hectares of wildfires across the landscape. There were no major significant damaging wildfires on State forests, but of the 201 fires occurring on State forest, 71 were declared as Section 44 emergencies under the *NSW Rural Fires Act 1997*.

Wildfires and prescribed burns trend as percentage of Forests NSW estate

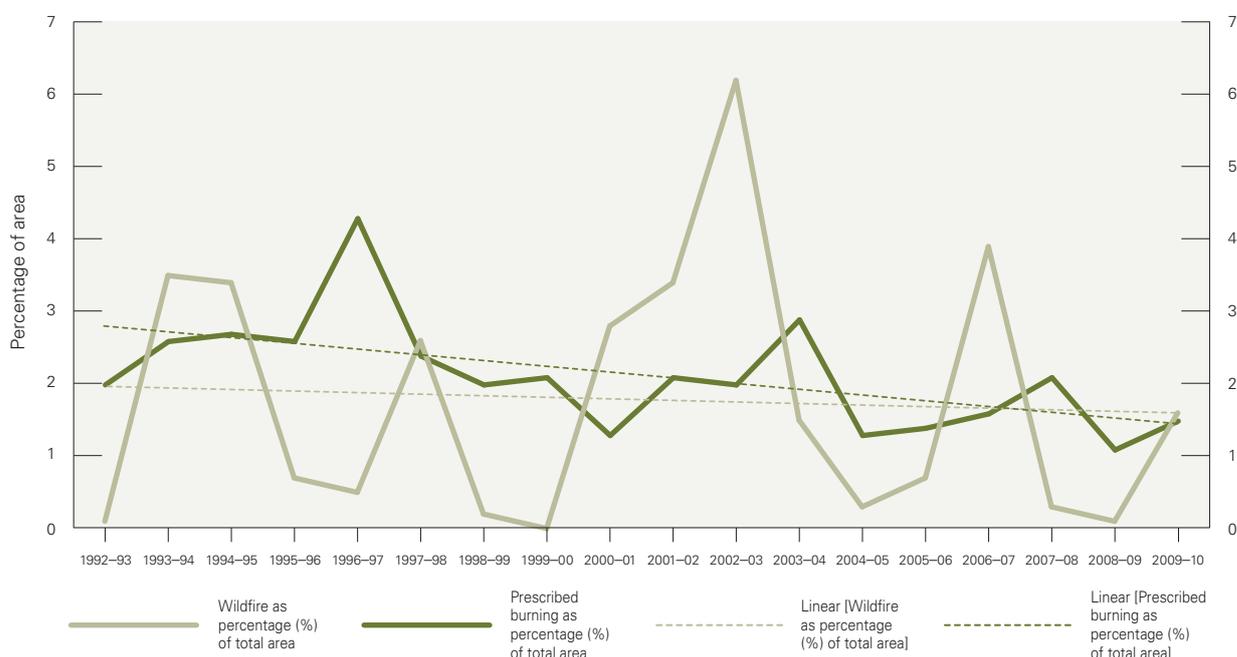




Photo by Howard Spencer

Future supply

As seen in indicator 29 on page 49 Forests NSW harvested a little less timber than in its agreements with the timber processing industry. At the same time Forests NSW is working to ensure that future timber demand can be met. As part of this, Forests NSW is developing mid-to long-term plans to handle the reduction in supply envisaged by the Regional Forest Agreements, after the current Wood Supply Agreements end in 2023.

These plans rely on modelling undertaken by Forests NSW. During the year this modelling underwent further refinement of its standing timber and yield estimates and wood flow projections. These system refinements improve yield estimates at the regional level for the coastal regions.

In April 2009 the Auditor General completed a Performance Audit Report on Forests NSW entitled *Sustaining Native Forest Operations*. The audit found that Forests NSW had sufficient supply of timber to meet hardwood supply demands and the report provided a number of recommendations mainly relating to refinements of the estimates and woodflow projections, which Forests NSW has been implementing within an agreed timeframe.

Research and technology

During the year Forests NSW joined the national Forestry Cooperative Research Centre forest operations program. Full membership of the CRC has given Forests NSW access to operational research and training in forest harvesting and haulage. Forests NSW has already conducted one trial in forest residues with the Forestry Cooperative Research Centre and planned for another in value recovery. The Forestry Cooperative Research Centre has provided assistance in fleet scheduling software and training in forest operations.

A major investigation into the application of GPS in harvesting with reliance on LiDAR data commenced in Central Region. LiDAR is an optical remote sensing technology using scattered light to collect data, which can be used to determine attributes such as tree species, tree dimensions and the location of streams and roads.

In another project Forests NSW completed a review of the tree and plantation improvement service delivery across the organisation.

For more information on research undertaken by Forests NSW see the *I&I NSW Science & Research and Forests NSW Research & Development Annual Report 2009–10*.



Social indicators

Indicator 1 - Social responsibility				
<i>Objective: Maintain voluntary activities in non-operational business areas</i>				
	2006-07	2007-08	2008-09	2009-10
Subscriptions, sponsorships and donations	\$579 846	\$728 505	\$662 836	\$518 672

Community volunteering programs				
	2006-07	2007-08	2008-09	2009-10
Days	493	424	372	464
Participants	138	252	175	101
Programs	9	10	9	5

Indicator 2 (a) - Public participation				
<i>Objective: Increase opportunities for stakeholder participation in planning. Actively engage and involve our neighbours in management of the community's forests</i>				
Meeting/Forum subject categories	Hours of staff time associated with engagements initiated by others	Hours of staff time associated with engagements initiated by Forests NSW		

Business & joint venture partner		67	25	
Catchment management	1 122		421	
Bushfire/HRB management	171		26	
Cultural heritage management	382		154	
Education	299		40	
Employment conditions & terms	504		155	
ESFM planning (Strategic & supplementary plans)	11		11	
External audit	178		132	
Flora & fauna management/Conservation/Environmental	299		90	
Forestry/Forest practices	133		110	
Local emergency management	719		262	
Local government	156		35	
Occupational Health & Safety	77		3	
Pest animal/Weed/Disease management	10		150	
Plantation establishment	382		897	
Recreation/Tourism	302		286	
Regional planning/Regional Forest Agreement	58		39	
Research	58		234	
Supply management (incl. haulage & processes)	35		65	
Timber harvesting/Road construction/Maintenance	307		2	
Other	72		311	

Note that the figures provided are estimates sourced from each of the eight operational regions and Community Programs at Cumberland State Forest. Stakeholder participation by Branch and Corporate staff has not been included. This indicator has been revised to record hours instead of number of meetings or forums to better indicate performance. This makes comparison with previous years data, which reported numbers, impossible, however anecdotal evidence suggests stakeholder engagement increased.

Indicator 2 (b) - Public participation				
<i>Objective: Be responsive to neighbours' and stakeholder concerns and professionally conciliate any issues</i>				
Community liaison	2006-07	2007-08	2008-09	2009-10
Ministerial correspondence handled ¹	99	129	383	761
Registered complaints	25	16	8	17
Official complaints	n/r	n/r	n/r	2

¹ It takes about 3 hours to prepare a written response to a public correspondence through the Minister's office.

Registered complaints relating to legislation, codes, licences, standards or operational plans are registered in the Forests NSW Non-Conformance and Improvement Reporting system. In addition to complaints the system registers and tracks actions relating to significant legislative breaches and improvement suggestions.

The process for responding to letters of inquiry or complaints addressed to the Chief Executive Officer or the Minister for Primary Industries are recorded in a separate system.

Official complaints are handled through the Industry & Investment NSW Complaint Handling Procedure, which provides a structured mechanism to allow complaints and concerns about Industry & Investment NSW and Forests NSW service delivery to be notified, tracked and managed in a professional manner.

Indicator 3 - Recreation and tourism				
<i>Objective: Maintain opportunities for events and partnerships</i>				
Permits for organised recreational activities	1998–99	2007–08	2008–09	2009–10
Bow hunting/archery	60	2	3	2
Bushwalking	23	6	5	8
Car rallies/go carts	38	36	24	30
Eco tourism/4WD tours	54	5	21	7
Education/outdoor education schools	27	46	27	11
Fossicking	n/r	22	116	152
Horse, trail & endurance rides	32	25	24	24
Motorbike rallies	6	18	8	10
Mountain bike rallies	30	46	51	38
Orienteering/mountain runs/triathlon	37	29	22	26
Other	22	288	181	126
Training/exercises	152	17	35	34
Area zoned primarily for recreation (ha)	n/d	4 749	6 164	6 090
Expenditure on recreation ('000)	n/r	\$2 092	\$2 437	\$2 547

Note that more information on recreation in NSW State forests is available at www.industry.nsw.gov.au

<i>Objective: Provide safe, professional and efficient forest-based recreation and tourism services for the people of NSW</i>	
Facilities provided at 177 recreational sites	2009–10
Camping area	93
Caravan site	16
Fireplace/BBQ	84
Picnic area	103
Rubbish collection	48
Toilets	62
Water (not for drinking)	87
Wheelchair accessible toilets	11

Indicator 4 (a) - Research and education		
<i>Objective: Cost-effective research services from I&I NSW and within Forests NSW</i>		
	Research ¹ (million)	Education (million)
1998–99	\$7.2	n/d
2005–06	\$6.9	\$4.2
2006–07	\$7.0	\$4.2
2007–08	\$5.2	\$2.9
2008–09	\$6.0	\$2.6
2009–10	\$5.4	\$2.5

¹Includes expenditure on community service obligations, water quality monitoring and tree improvement program, but excludes pre-harvest flora and fauna surveys for the last three years. Expenditure of pre-harvest surveys is reported as part of Indicator 13 - Sighting of surveyed species.

The I&I NSW Science & Research and Forests NSW Research & Development Annual Report 2009–10 documents significant projects during the year and can be obtained on the I&I NSW website.

Indicator 4 (b) - Number of people participating in programs and receiving information through Cumberland State Forest				
<i>Objective: Provide a strategic education program</i>				
Activity	1998–99	2007–08	2008–09	2009–10
School – lower primary	1 197	685	512	539
School – upper primary	1 585	2 757	3 168	3 016
School – secondary	753	437	376	352
School holiday activities	1 008	292	438	404

Indicator 5 - Regional employment				
<i>Objective: Provide opportunities for employment in forest-dependent industries</i>				
State forests-dependent sector	1997–98	2008–09	2009–10	
Apiary	302	354	No significant change reported, except in Western Region where decreases were reported	
Eco-tourism	88	39	No significant change reported, except in Western Region where decreases were reported	
Forest management	1 566	888	Decrease of 49 full time equivalent jobs across Forests NSW	
Grazing	165	489	Only Northern Region reported an increase due to additional areas tendered	
Harvesting & haulage	1 132	1 131	Increase in Northern Region due to MTX pine exports. Decrease in Western Region	
Other ¹	136	54	No significant change reported, except in Western Region where decreases were reported	
Primary processing ²	4 328	4 325	Decrease in Western Region. Increases in planted forests due to increased wood flow commitments, especially in Walcha-Nundle area and the opening of an additional production line at the Visy pulp mill in Tumut resulting in 50 additional jobs	
Total	7 717	7 280		

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

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

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

Western Region reported a drop in employment in all sectors. This is associated with the transfer of tenure reported on page 20.

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

¹ Derived from 2006 Census data.

Indicator 6 (a) - Other forest products					
<i>Objective: Access maintained to State forests for apiary, grazing and other products appropriate to forests</i>					
Forest product	1997–98	2006–07	2007–08	2008–09	2009–10
Advanced plants sold to public (No.)	5 491	6 505	80 355	168 422	65 980
Apiculture (sites)	3 843	3 363	1 310	2 583	3 804
Bark (tonnes)	1 109	0	0	17	52
Broombush (tonnes)	1 977	4 255	4 225	3 338	3 198
Burls (tonnes)	44	1	0	1	1
Charcoal (tonnes)	119	1 465	1 417	1 188	1 731
Communication sites (permits)	126	135	120	159	171
Craft timber (m ³)	33	35	12	7	7
Film/documentary (permits)	3	4	5	6	8
Firewood (tonnes) ¹	75 615	42 613	88 271	50 902	27 691
Forest maps sold to the public ²	5 491	6 505	7 489	6 038	5 887
Gravel/sand/rock (tonnes)	69 495	88 147	94 665	60 802	51 723
Grazing (hectares)	768 946	688 525	645 040	608 193	529 712
Misc native plants pieces (No.)	1 219	3 544	454	2 060	1 991
Nursery seedlings to public (No.) ³	1 148 000	1 647 400	1 178 402	658 131	762 870
Other structures (permits)	227	153	188	175	137
Powerlines/cables/pipelines (km)	2 886	5 006	4 876	n/r	n/r
Research (permits)	215	69	51	81	135
Seed (kg)	969	51	102	167	93
Wood blocks (No.)	0	3 750	50	79	500
Total revenue ('000)	n/r	\$6 461	\$6 315	\$6 235	\$5 802

¹ Additional firewood sales are reported as part of commercial timber sales in Indicator 22.

² Includes maps sold via www.shop.nsw.gov.au

³ Does not include plantation stock sold to external plantation owners.

Indicator 6 (b) - Other forest products*Objective: Cost-effectively provide sufficiently stock for Forests NSW planting program*

Number of commercial nursery seedlings and cuttings produced

Product type (million)	2002	2006	2007	2008	2009
Forests NSW seedlings	4.2	5.3	6.2	10.5	12.2
Forests NSW cuttings	0.8	1.3	0.8	0.7	1.2
Private seedlings	1.4	2.4	2.2	1.3	0.5
Total number	6.6	9.0	9.2	12.5	13.9

The revenue from seeds sales dropped by 88% to \$44 290 in 2009–10. This is due to a decision to refocus seed acquisition activities on meeting internal needs.

The Seed Store was transferred to Production Nurseries as part of a comprehensive review of tree and plantation improvement functions. Forests NSW remains open to external seed sales depending on available stock.

Indicator 7 - Quality of management*Objective: Maintain staff levels for effective and efficient operations*

	Men	Women	REERM*	Persons with disability	Aboriginal and Torres Strait Islanders	Total staff	Expenditure on Human Resource Management ¹ (million)
1999–00	79%	21%	4%	6%	2%	1 218	n/r
2006–07	78%	22%	5%	5%	2%	1 045	\$1.10
2007–08	82%	18%	4%	5%	2%	943	\$1.74
2008–09	83%	17%	4%	5%	2%	888	\$4.10
2009–10	81%	19%	3%	4%	2%	839	\$2.71

¹Includes voluntary redundancy payments

Note that total staff figure is a calculation of full-time equivalent employees excluding casuals, while the percentages are based on extrapolation calculations using the figures available.

Forests NSW has undergone several restructures in line with Government policy and directives over the past 17 years. Significant organisational reviews occurred in 1992, 1997 and most recently over the past three years. As a result staff numbers have declined.

Indicator 8 - Training*Objective: Operations implemented by appropriately trained staff and contractors*

Training categories	Staff	Contractors	Total
Assessors	2	0	2
Authorised officer	106	0	106
Business skills	170	1	171
Computer skills	14	0	14
Contractors	5	0	5
Environmental & cultural	5	168	173
Fire medical & fitness	136	0	136
Fire resources protection	82	0	82
Forest management	84	18	102
Health & safety awareness	128	315	443
Health & safety compliance	311	138	449
Management & leadership	1	0	1
Plant & animal management	1	0	1
Plant skills	10	149	159
Plantation establishment	1	0	1
Safe driving & licensing	89	58	147
Technical skills	91	84	175
Tertiary & trade certificates	3	0	3
Workshops	24	0	24
Total	1 263	931	2 194
Expenditure on training			\$1 848 315

Overall training figures have increased on last year. Training categories have been reviewed and updated to better reflect the range of training provided by Forests NSW, however this makes direct comparison with previous years difficult.

The amount spent on training remained similar to last year.

Indicator 9 - Health and safety

Information associated with the indicator 'Health and safety' is found on page 15

Indicator 10 - Management of cultural heritage				
Objective: Identify and protect all significant cultural heritage sites				
	Number			
	2001-02	2005-06	2007-08	2009-10
Agreements for co-management of land	3	4	3	3
Partnerships	19	11	10	9
	Hectares			
Area managed for Aboriginal cultural heritage	176	4 234	5 034	5 004
Area managed for non-Aboriginal cultural heritage	n/r	n/r	n/r	3 619
Agreements for co-management of land ¹	1 730	55 022	53 279	53 279
Land with recognised Native title	0	0	30 782	30 782
	Number			
Gazetted Aboriginal places ²	n/r	n/r	n/r	1
Aboriginal sites ³	n/r	n/r	n/r	2 768

¹Co-management refers to informal management processes and structures that provide Aboriginal people with varying degrees of input into the management of an area of land. There is no transfer of title, no rent is paid and no legal rights are provided to Aboriginal people involved in the process.

²Under section 90 of the National Parks and Wildlife Act 1974 and recorded in the Aboriginal Heritage Information Management System.

³This figure is taken from the Aboriginal Heritage Information Management System maintained by NPWS and to which Forests NSW contributes.

No changes were reported in relation to cultural heritage management indicators. All contractors and operational staff have either undertaken cultural heritage training, or in the case of staff, if they have recently joined Forests NSW will undertake the training course at the earliest opportunity.

The Forests NSW Operational Guidelines for Aboriginal Cultural Heritage Management were under review and are expected to be finalised in September 2010. They provide policy and guidelines for the exercise of due diligence and for the documentation of minimum standards to assess impacts, locate and manage Aboriginal sites and places; and for processes to address issues relevant to Aboriginal people.

Environmental indicators

Indicator 11 (a) - Extent of forest type			
Objective: Maintain area of native forest for the sustainable supply of timber			
	1999-00	2009-10	
	Area (ha)	Area (ha)	%
Broad native forest types ¹			
Alpine ash forest	17 806	17 356	1
Blackbutt forest	139 346	112 796	6
Blue gum forest	159 735	126 515	7
Messmate forest	260 464	232 591	12
Mixed coastal eucalypt	202 116	220 918	12
Non-eucalypt forest	13 939	11 383	1
Non forest	89 288	65 285	3
Other inland eucalypt types	276 444	177 833	9
Other inland types	0	162	0
Rainforest	71 869	89 543	5
River red gum forest	102 360	110 983	6
Snow gum woodland	33 763	27 509	1
Spotted gum forest	209 178	181 763	9
Stringybark forest	373 190	181 920	9
Unclassified	526 225	193 907	10
White cypress pine forest	236 764	172 385	9
Total	2 713 000	1 922 851	100

¹As defined in Forest Types in New South Wales Research Note No.17. Relates to State forests, but excludes native forests within softwood planted State forest estate.

Indicator 11 (b) - Extent of planted forest type			
Objective: Increase capacity of plantations to meet sustainable supply of timber			
	1999-00	2009-10	
Plantation type ¹	%	Area (ha)	%
Softwood (<i>Pinus spp</i>)	57	206 085	41
Hardwood (<i>Eucalyptus spp</i>)	14	49 690	10
Total planted area	71	255 775	51
Retained vegetation and infrastructure	21	215 842	42
Land for future planting	8	26 274	5
Other Exclusions	n/r	8 970	2
Total planted forest estate	100	506 861	100

¹This figure includes State forest, Joint Venture, Annuities and pre-1994 hardwood plantations.

Indicator 13 (a) - Sightings of surveyed species				
<i>Objective: Threatened species at risk from forestry operations identified and adaptive management applied</i>				
Threatened fauna species sightings	1997-97	2007-08	2008-09	2009-10
Arboreal mammals	268	989	601	361
Bats	93	183	1 065	168
Frogs	204	324	175	217
Ground mammals	195	22	117	186
Non-raptor birds	110	402	1 058	1 049
Raptor birds	86	133	85	12
Reptiles	n/r	0	4	4
Total	956	2 053	3 105	1 997
Threatened flora species reported	n/r	8	6	18
Threatened fauna species reported	n/r	n/r	n/r	50
Number of fauna surveys	n/r	2 754	1 591	1884
Number of compartment traverses	n/r	n/r	431	538
Fauna sightings per survey	n/r	0.75	1.95	1.06
Expenditure on surveys ('000)	n/r	\$621	\$1 764	\$2 038

In the past 16 years Forests NSW has collected 14% of NSW total threatened species records.

Indicator 13 (b) - Status of surveyed species sightings					
Kingdom	Species group	Status			
		Introduced	Protected	Vulnerable	Endangered
Fauna	Arboreal mammals	0	1 232	361	0
	Bats	0	918	168	0
	Frogs	30	1 584	59	158
	Ground mammals	29	1 415	120	66
	Non-raptor birds	0	7 644	1 049	0
	Raptor birds	0	8	12	0
	Reptiles	0	103	4	0
Flora		539	2 104	2 324	8 033

Note that vulnerable and endangered are referred to as threatened species under the Threatened Species Conservation Act 1995 and are summarised in the above table along with previous years. If these threatened species are sighted, the presence of these species is taken into account and adaptive management applied (see the illustration on pages 24 and 25). Protected refers to all Australian flora and fauna, that are not threatened species. Introduced species are those such as cats, goats, dogs, deer etc.

Indicator 14 - Pest animal and weed control				
<i>Objective: Manage weeds and animal pests through active coordinated and cooperative programs</i>				
Year	1997-98	2007-08	2008-09	2009-10
Weeds	\$1 325 000	\$596 874	\$898 940	\$1 125 258
Pest animals	\$328 000	\$546 194	\$584 800	\$591 459
Total	\$1 653 000	\$1 143 068	\$1 483 740	\$1 716 718

Weed and pest animal management plans are in place for all operational regions and provide a range of details including targeted species, methods employed and estimated costs. Forests NSW continues to be a major contributor to a range of control programs including those targeting foxes, wild dogs, feral goats, feral pigs, blackberries, willow, serrated tussock, horehound, lantana and paterson's curse.

Number removed by licensed hunters from State forests	2007-08	2008-09	2009-10
Feral cats	136	172	219
Feral goats	1 037	1 899	2 130
Feral pigs	1 081	1 478	1 924
Foxes	724	1 072	1 256
Hares	242	489	630
Rabbits	4 076	5 453	8 335
Wild deer	410	562	654
Wild dogs	55	72	84

Game Council NSW is the statutory body responsible for implementing the objectives of the Game and Feral Animal Control Act 2002. Game Council NSW provides a licensing system that enables game hunting licence holders to remove game and feral animals from declared State forests in New South Wales.

Removing game and feral animals from public land areas helps to contain existing game animal populations and exert downward pressure on feral animal populations in these locations.

Indicator 15 - Plantation health*Objective: Monitor and address plantation health issues: minimise impact of health issues on plantations*

Hardwood plantation ¹	Percentage of area sampled			
	2001-02	2007-08	2008-09	2009-10
Agent				
Bell Miner Associated Dieback (BMAD)	n/d	n/d	0.0	0.0
<i>Creiis</i> and <i>Cardiaspina psyllids</i>	n/d	3.0	0.7	0.5
Frost damage	n/d	0.2	0.0	0.0
Herbivorous insects	5.8	3.0	1.8	1.0
Leaf & shoot fungi	2.4	2.0	0.0	0.0
Stem borers	0.1	5.0	11.0	11.0

¹ Post-1994 hardwood plantations only. These are hardwood plantation established prior to the commencement of the State Forests Eucalypt Plantation Program in 1994. These plantation are exclusively managed under the Plantations and Reafforestation Act 1999.

Softwood plantation	Percentage of area sampled			
	2000-01	2007-08	2008-09	2009-10
Agent				
<i>Dothistroma septosporum</i> (needle blight)	2.0	1.0	1.0	0.8
Drought (<i>Diplodia pinea</i> (fungus) & <i>Ips grandicollis</i> (bark beetle))	0.5	15.0	4.0	4.0
<i>Essigella californica</i> (aphid)	n/d	47.0	32.0	21.3
Possum	0.2	6.0	6.0	0.9
<i>Sirex noctilio</i> (woodwasp)	0.0	1.5	0.8	0.1

Overall the impact of health issues has either remained static or decreased in comparison to the previous year. The exception is an increase in the effect of drought in Hume Region, however the state wide impact remains the same.

Indicator 16 - Firefighting and prevention*Objective: Managed through integrated and cooperative fire hazard management and wildfire suppression programs, resulting in less than 0.3% of forest estate burnt by damaging wildfire*

Wildfire	2001-02	2007-08	2008-09	2009-10
Per cent of total State forest estate	3.50%	0.30%	0.06%	1.60%
Expenditure (million)	\$2.7	\$1.8	\$1.0	\$2.4
Fuel management	2001-02	2007-08	2008-09	2009-10
Hazard reduction (ha) ¹	58 893	32 474	24 988	35 069
Grazing (ha)	644 966	528 933	498 718	529 712
Expenditure (million)	\$6.1	\$9.8	\$9.6	\$8.3

¹ Includes pre- and post-harvest burning.

Total area of the forests affected by fire was 35 069 ha of prescribed burning and 37 610 ha of wildfire. The Corporate target of restricting damaging wildfire to less than 0.3% was achieved, as damage to planted forests was limited. There were some 15 fires over 690 ha of plantation areas, half of which were not damaging due to age-class or severity.

Forestry staff also were involved in multiagency fires off State forest tenure, with many hundreds of thousands of hectares of wildfires across the landscape. There were no major significant damaging wildfires on State forests, but of the 201 fires occurring on State forest 71 were declared as Section 44 emergencies under the NSW Rural Fires Act 1997.

There were no major injuries, but one noteworthy near-miss incident when the Forests NSW helicopter was struck by another firefighting helicopter in mid-air while water bombing, only receiving damage to the rear tail stabiliser.

Indicator 17 (a) - Soil and water management*Objective: Maintain ecological processes associated with soil and water. Assess all areas to be harvested for risks to soil and water quality*

	1999-00	2006-07	2007-08	2008-09	2009-10
Expenditure on harvesting supervision and environmental compliance in native forests ('000)	n/r	\$6 219	\$5 164	\$5 561	\$5 454
Expenditure on harvest planning & pre-harvest surveys ('000)	n/r	n/r	n/r	\$3 997	\$4 755
Area of native forest harvest operations (ha)	56 900	45 945	57 631	31 252	38 784
Area of softwood plantation harvest & thinning operations (ha)	14 000	12 754	14 659	13 342	13 491
Area of hardwood plantation harvest & thinning operations ¹ (ha)	0	10	127	252	0
Total Area harvested² (ha)	73 000	53 364	64 261	38 305	46 819
Percentage harvested of total estate	2.4%	2.4%	2.7%	1.6%	2.0%
Soil and water non-compliance incidents self-reported	1 255	395	318	28	143
Fines received in relation to soil and water	3	2	2	0	0

¹ Relates to post-1994 plantations only.

² Excludes thinning operations in plantations.

Indicator 17 (b) - Soil and water management					
<i>Objective: Protect water catchment values in socially strategic or environmentally sensitive locations</i>					
	1999-00	2006-07	2007-08	2008-09	2009-10
Fully protected land (ha) ¹	290 700	182 619	183 752	183 752	177 635
Partly protected land (ha) ²	30 200	62 839	60 295	76 709	75 191
Total³	320 900	245 458	244 047	260 461	252 826

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

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

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

Indicator 18 - Regulatory compliance					
<i>Objective: Achieve a 100% external regulatory compliance rate with zero penalty infringement notices, prosecutions and fines</i>					
Compliance items	1999-00	2006-07	2007-08	2008-09	2009-10
Number of compliance check sheets conducted					
1 st tier supervision checks	5 428	3 396	4 013	3 512	3 287
2 nd tier supervision checks	420	444	643	463	449
3 rd tier supervision checks	n/r	50	58	21	28
4 th tier supervision checks	n/r	3	6	2	0
Number of audits undertaken by regulators					
NSW DECCW audits	n/r	n/r	n/r	n/r	16
I&I NSW (Fisheries) audits	n/r	n/r	n/r	n/r	2
I&I NSW (Office of Private Forestry) audits	n/r	n/r	n/r	n/r	7
Number of Non-Compliance Incidents (NCI) recorded by Forests NSW supervision for corrective action					
NCIs related to soil erosion & water quality	1 255	395	318	28	143
NCIs related to flora & fauna	469	192	89	93	93
NCIs related to fish habitat & passage	1	0	0	0	38
other NCI issues (e.g. safety)	314	410	689	434	319
Total	2 039	997	1 096	555	593
Number of fines issued to Forests NSW by regulators					
Fines relating to the <i>Threatened Species Conservation Act 1995</i>	0	1	2	1	5
Fines relating to the <i>Protection of the Environment Operations Act 1997</i>	3	2	2	0	0
Fines relating to the <i>Fisheries Management Act 1994</i>	0	0	0	0	0
Total	3	3	4	1	5
Number of prosecutions recorded against Forests NSW					
Prosecutions under the <i>Threatened Species Conservation Act 1995</i>	1	0	0	0	0
Prosecutions under the <i>Protection of the Environment Operations Act 1997</i>	0	0	0	0	0
Prosecutions under the <i>Fisheries Management Act 1994</i>	0	0	0	0	0
Total	1	0	0	0	0

Penalty Infringement Notices (fines) were issued by NSW DECCW for non-conformances with threatened species licence conditions. The Fines of \$300 each were issued for:

1. Felling of tree within a riparian habitat protection zone in Dalmorton State Forest;

2. Harvesting within rainforest in Yabba State Forest;

3. Failure to mark Yellow-bellied glider feed tree;

4. Wetland incursions in Yabba State Forest (2 incidents).

As of 30 June 2010 investigations by I&I NSW were continuing in respect of non-conformances relating to unmapped drainage lines in Yabba State Forest.

Indicator 19 - Carbon sequestration in planted forests

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

Planted forest type	2002–03	2007–08	2008–09	2009–10
Softwood (CO ₂ -e megatonnes sequestered)	3.65	3.41	3.56	3.73
Hardwood (CO ₂ -e megatonnes sequestered)	0.59	0.62	0.56	0.55

CO₂ sequestered (tonnes CO₂-e) = net plantation area x MTBI x CP x CCF where:

MTBI = SBI + CBI + RBI where:

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

TSVI (Total Stem Volume Increment) - softwood = 16.9m³/ha/year and hardwood = 13.3m³/ha/yr

BD (Basic Density) - softwood = 0.42 t/m³ and hardwood = 0.55t/m³

CBI (Canopy Biomass Increment) = SBI x 0.1765

RBI (Root Biomass Increment) = (SBI + CBI) x 0.2

CP (Carbon Proportion) = 0.5

CCDF (Carbon to Carbon dioxide Factor) = 3.667

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

Indicator 19 (b) - Carbon balance in native forests

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

Native forest carbon balance			
Measured in millions of tonnes (megatonnes)	2007–08	2008–09	2009–10
Total standing volume CO ₂	911	920	949
Annual CO ₂ -e sequestered forest growth	6.53	6.35	6.80
Annual CO ₂ -e harvest storage in hardwood products	0.54	0.53	0.47
Annual CO ₂ -e harvest emissions	1.37	1.26	1.30
Annual CO ₂ -e fire emissions	0.98	0.51	3.43
Annual non CO ₂ fire emissions ¹	0.05	0.02	0.16

Annual Sequestration (megatonnes)	2007–08	2008–09	2009–10
Net CO ₂ -e	3.63	4.06	1.60

¹ These figures have been corrected as they were incorrectly reported as tonnes previously.

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

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

Assumptions:

Model A

CO₂ sequestered (tonnes CO₂-e) = production area x MTBI x CP x CCF where:

MTBI = SBI + CBI + RBI where:

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

TSVI (Total Stem Volume Increment) native forest ave = 5m³/ha/yr

BD (Basic Density) = 0.325t/m³ (source AGO 2006)

CBI (Canopy Biomass Increment) = SBI x 0.1765

RBI (Root Biomass Increment) = (SBI + CBI) x 0.2

CP (Carbon Proportion) = 0.5

CCF (Carbon to Carbon dioxide factor) = 3.667

Model B

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

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

Indicator 20 (a) - Energy consumption						
<i>Objective: Reduce greenhouse gas emissions and increase energy sourced from green power</i>						
Energy Use	Totals	Total Energy GJ	2009–10			Percentage change to 2008–09 ¹
			CO ₂ -e Emissions (tonnes)			
			Scope 1	Scope 2	Scope 3	
Auto distillate (diesel) (L)	3 720 323	143 604	10 038	0	761	111%
Aviation gasoline (L)	16 633	551	37	0	3	n/r
E-10 (L)	21 996	728	46	0	7	47%
Electricity (kWh)	2 317 977	8 345	0	2 078	409	-12%
Green power (kWh)	56 279	203	0	-50	-10	-15%
LPG (kg)	28 665	738	44	0	4	-40%
Natural gas (MJ)	419 323	419	22	0	7	51%
Petrol (L)	286 137	9 786	681	0	52	31%
Total	n/a	164 374	10 868	2 027	1 233	n/d

¹Increases in diesel and petrol are associated with inclusion of previously unreported bulk purchased fuel.

Scope 1: Direct greenhouse gas emissions; Scope 2: Indirect emissions from the generation of purchased electricity; Scope 3: Indirect emissions from the extraction, production and transport of the specified fuel.

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

Indicator 20 (b)- Fleet					
<i>Objective: Optimising fleet composition to meet business needs in a cost-effective and environmentally responsible manner</i>					
Fleet	Number by fuel type	2000–01	2007–08	2008–09	2009–10
Light vehicles	Diesel	573	342	374	392
	Petrol	239	73	66	60
	LPG	n/r	1	1	0
	Hybrid	n/r	1	1	0
	Total number	812	417	442	452
Trucks and light plant	Diesel	139	172	172	92
	Petrol	11	4	0	0
	LPG	n/r	4	0	0
	Total number	150	180	172	92
Heavy plant	Diesel	86	41	52	47
	Petrol	0	0	0	0
	Total number	86	41	52	47

Forests NSW ongoing commitment is to ensure a safe, reliable and practical motor vehicle fleet that further demonstrates the organisation's economic and environmental management disciplines. During the year the Light Fleet Selection and Accessorisation Policy was implemented, which is aimed at optimising Forests NSW fleet composition such that it meets the business needs of the organisation in a cost-effective and environmentally responsible manner.

This indicator reports the number of fleet in three categories by fuel type:

- Light vehicles owned by Forests NSW (e.g. sedans, wagons, utes)
- Trucks and light plant owned by Forests NSW (e.g. trucks, tankers)
- Heavy plant owned by Forests NSW (e.g. dozers, graders)

Indicator 21 - Material consumption and recycling		
<i>Objective: Reducing the overall waste volume generated and the volume of waste disposed to landfill. Recycle appropriate wastes and use recycled content materials</i>		
Percentage recycled or reused	2008–09 (%)	2009–10 (%)
Cardboard	76	75
Co-mingled containers	30	64
Computers	92	98
Copy paper	86	81
Monitors	98	91
Printer cartridges	87	76
Potable water usage	2008–09 (kL)	2009–10 (kL)
Nurseries ¹	85 849	32 558
Depots & offices	16 682	8 773

¹2008–09 figure has been revised downwards as 22 500 kL of non-potable water had been included.

This data is reported in more detail in our Waste Reduction and Purchasing Policy report as part of our commitments under the NSW Sustainability Policy.

While every effort has been made to ensure the accuracy of recycled and reused percentages some records were unavailable and have been estimated.

Economic indicators

Indicator 22 - Volume of timber harvested					
<i>Objective: Meeting contractual obligations to customers</i>					
Product	1999-00	2006-07	2007-08	2008-09	2009-10
Sawlogs and veneer logs (m³)					
Native forest hardwood sawlogs	786 774	566 706	608 961	556 244	524 931
Hardwood plantation sawlogs	55 466	105 510	121 452	114 382	109 136
Cypress pine sawlogs	101 881	57 578	50 245	55 175	58 785
Plantation softwood sawlogs	1 648 790	1 955 399	2 100 251	1 894 454	2 073 461
Plantation softwood veneer logs	70 919	32 079	30 569	26 237	27 316
Native forest hardwood veneer logs	10 600	8 777	6 679	7 513	8 856
Hardwood plantation veneer logs	2 819	7 073	10 510	9 196	6 251
Total sawlogs and veneer logs	2 677 249	2 733 122	2 928 668	2 663 202	2 808 736
Poles, piles and girders (m³)					
Native forest hardwood	28 432	27 387	25 154	28 136	30 015
Plantation hardwood	5 479	11 768	14 286	10 116	6 971
Total poles, piles and girders	33 911	39 155	39 440	38 252	36 986
Round timber (m³)					
Preservation plantation softwood	56 422	68 472	87 859	87 054	98 458
Pulpwood (tonne)					
Native forest hardwood pulpwood	503 546	551 955	531 089	427 871	488 353
Plantation hardwood pulpwood	82 660	64 431	75 067	83 777	83 553
Plantation softwood pulpwood	636 058	1 188 478	1 164 137	1 081 236	1 223 691
Total Pulpwood	1 222 264	1 804 864	1 770 293	1 592 884	1 795 597
Other					
Fencing/Landscape/Sleepers/Firewood (m ³)	7 575	50 419	25 116	73 010	109 213

Indicator 23 - Product mix of timber harvested		
<i>Objective: Increase the percentage of wood harvested going to high value products</i>		
Sawlog product mix from hardwood forests (native and plantation)		
Product	1995-96 (%)	2008-09 (%)
Dry structural	21	7
Floorboards	22	48
Joinery/Furniture	1	6
Decking & panelling	4	6
House framing	30	14
Pallets	12	9
High strength structural	2	2
Fencing/Landscape	8	8
Sawlog product mix from softwood plantation		
Product	1995-96 (%)	2008-09 (%)
House framing	71	73
Joinery/Furniture	2	1
Decking/Panelling	1	6
Floorboards/Bearers/Joists	3	3
Fencing/Landscape	7	6
Other preservation	1	4
Unseasoned	14	7

Since the Timber Market Survey was outsourced to URS Forestry, this component of the survey is no longer available. These figures still provide insight into the changes in the sawlog product mix over 13 years, up to 2008-09.

Indicator 24 - Carbon accounting ¹					
Objective: Create maximum number of National Greenhouse Abatement Certificates from compliant plantations					
	2004-05	2006-07	2007-08	2008-09	2009-10
Number of certificates created ²	166 005	538 471	694 935	660 382	622 567
Area of plantation accredited for carbon trading	n/r	23 515	26 864	26 756	27 467

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

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

Sustainability indicators

Indicator 25 - Forest management intent						
Objective: Maintain net area available for timber production, while conserving large areas for significant values and managing ecological functions						
	Land not available for harvesting (ha)			Land available for harvesting (ha)		
Forest management intent	1999-00	2008-09	2009-10	1999-00	2008-09	2009-10
FMZ 1 Dedicated reserve	33 500	24 398	24 398	0	0	0
FMZ 2 Informal reserve – Special management	322 500	152 295	151 214	0	0	0
FMZ 3a Informal reserve – Harvest exclusion	199 000	274 182	272 498	0	0	0
FMZ 3b Special prescription	54 500	23 302	3 349	13 500	77 055	98 520
FMZ 4 General management native forest	387 500	436 275	84 978	1 368 000	805 573	1 156 781
FMZ 5 Hardwood planted forest ¹	0	46 099	45 132	46 000	52 889	63 195
FMZ 6 Softwood planted forest ¹	102 600	165 760	168 467	201 720	234 496	230 068
FMZ 7 Non-forestry use	8 000	4 421	4 429	0	0	0
FMZ 8 Land for further assessment	0	0	0	326 500	110 597	126 684
Total forest estate	1 107 600	1 126 731	754 465	1 965 720	1 280 610	1 675 248

¹Includes State forest (including pre-1994 hardwood plantations), joint venture and annuities. Changes other than the the 800 ha revoked and 46 ha dedicated as State forests relate to acquisitions or corrections in operational GIS data.

This year an improved process was used to estimate harvestable and non-harvestable area. Utilising a new corporate Geo-Database, a standardised methodology was able to be applied across all regional zones in the state. The process used excluded all identified non-harvestable areas held on the corporate Geo-Database. For coastal regions, a further percentage was then removed from the harvestable area based on the net harvest modifier models. These modifiers have been developed from intensive harvesting studies that determined the relationship between mapped exclusions and actual exclusions identified in harvesting operations.

Indicator 26 - Plantation harvesting, establishment and survival								
Objective: Plantations, which maintain the timber supply strategy, effectively established								
Year	Afforestation area of age-class (ha)		Reforestation area of age-class (ha)		Cost of establishment ¹ ('000)		Per cent requiring restocking after one year	
	Softwood	Hardwood	Softwood	Hardwood	Softwood	Hardwood	Softwood	Hardwood
1995	2 548	770	4 279	824	n/r	n/r	n/r	n/r
2006	1 064	286	6 159	345	\$13 282	n/r	63%	n/r
2007	249	121	5 541	255	\$12 283	n/r	34%	n/r
2008	1 513	83	7 865	1 036	\$16 838	n/r	24%	n/r
2009	472	0	8 630	2 160	\$17 052	\$3 193	17%	87%

Note third party investor plantings and joint ventures areas included. The table shows areas of pre-1994 plantations re-established, however pre-1994 plantations harvested areas are included in the native forest figures (Indicator 28).

¹Cost associated with site preparation, planting, post planting fertilising and competition control. For hardwood plantations a corporate wide chart of accounts for establishment operations was not maintained prior to the 2009 age-class.

The area requiring restocking after one year means that too many seedlings (>20% for softwood and >10% for hardwood) have not survived and replanting is undertaken to ensure the plantation is sufficiently stocked.

While the area requiring refill was high for hardwood plantations the number of seedlings required for refilling was only 12% of the 3666 121 hardwood seedlings originally planted.

Planted forests harvested

Silvicultural treatment	Species/Hybrid	Area (ha)	Silvicultural treatment	Species/Hybrid	Area (ha)
Harvested	F1 Southern pine hybrid	9	Thinned	F1 Southern pine hybrid	38
	<i>Araucaria cunninghamii</i>	68		F2 Southern pine hybrid	31
	<i>Pinus elliotii</i>	51		<i>Pinus caribaea</i>	15
	<i>Pinus laricio</i>	39		<i>Pinus elliotii</i>	339
	<i>Pinus radiata</i>	7 838		<i>Pinus radiata</i>	4 797
	Other	30		<i>Pinus taeda</i>	235
Total		8 035	Total		5 456

Note this relates to softwoods and post-1994 hardwood plantation only (no harvesting or thinning was undertaken in post-1994 hardwood plantations).

Indicator 27 - Mean annual growth in planted forests				
Objective: Plantation growth rates are at acceptable levels to achieve future productivity				
Softwood plantation	2000-01	2007-08	2008-09	2009-10
Annual Increment ¹ (m ³)	3 465 000	3 419 171	3 686 903	3 480 198
Net Stocked Area ² (ha)	205 007	209 252	204 828	205 929
Mean Annual Increment ⁴ (m ³ /ha/yr)	16.9	16.3	18.0	16.9
Hardwood plantation ⁵	2000-01	2007-08	2008-09	2009-10
Annual Increment ¹ (m ³)	n/d	357 479	263 738	345 621
Net Stocked Area ² (ha)	n/d	26 227	26 374	25 813
Mean Annual Increment ⁴ (m ³ /ha/yr)	n/d	13.6	10.0	13.3

¹ Annual Increment (AI) is the change in volume of the plantation Net Stocked Area in one year (AI=NSAxMAI).

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

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

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

Net Stocked Area by age-class groups as at June 30 2010				
Species	Age-class groups (years)			
	1-10	11-20	21-30	31-40+
<i>Pinus radiata</i>	29%	21%	34%	16%
Other softwood	28%	22%	25%	24%
<i>Corymbia maculata</i> (spotted gum)	47%	53%	0%	0%
<i>Eucalyptus grandis</i> (flooded gum)	43%	57%	0%	0%
<i>Eucalyptus pilularis</i> (blackbutt)	54%	44%	1%	1%
Other hardwood	62%	37%	0%	1%
Total	31%	25%	30%	14%

Includes joint ventures, subsidiaries and annuities and relates to post-1994 hardwood plantations only.

Standing volumes by major species as at June 30 2010		
Category	Species	m ³ (million)
Softwood plantations	<i>Pinus radiata</i>	46.0
	Southern pine	1.4
	Other softwood plantation species	2.0
Post-1994 hardwood plantation	<i>Eucalyptus dunnii</i> (dunn's white gum)	1.2
	<i>Corymbia maculata</i> (spotted gum)	0.8
	<i>Eucalyptus pilularis</i> (blackbutt)	0.8
	Other hardwood plantation species	0.7

Includes joint ventures, subsidiaries and annuities.

Indicator 28 - Native forest harvested and regenerated					
<i>Objective: 100% of surveyed native forests harvest area effectively regenerated</i>					
Native forest harvested and effective regeneration	2007-08	2008-09	2009-10		
	Estimated area	Estimated area	Estimated area	Area surveyed	Regenerated ¹
	(ha)	(ha)	(ha)	(ha)	(%)
Alternate coupe	1 366	1 162	1 118	0	n/a
Commercial thinning	7 719	8 861	4 772	n/a	n/a
Cypress release	15 000	1 800	7 650	n/a	n/a
Group selection	4 437	2 207	1 226	182	96
Single tree selection	24 438	13 922	23 733	673	95
Total	52 960	27 952	38 499	855	n/a
Non-commercial thinning	4 671	3 300	285	n/a	n/a
Regeneration ¹ (%)	64	94	n/a	n/a	95
Expenditure on silviculture and inventory ('000)	\$ 4 342	\$ 4 321	n/a	n/a	\$ 4 249

¹ Proportion effectively regenerated with commercial species.

While natural regeneration of commercial species is usually achieved, in those cases where not enough commercial species regenerate supplementary planting may be undertaken as was reported for some areas in North East Region.

In addition 10 hectares in Wang Wauk State Forest, near Forster, was regenerated by distributing flooded gum seed rather than planting, while in the north east of the State planting was undertaken as part of rehabilitation of Bell Miner Associated Dieback affected forests.

Indicator 29 - Sustainable yield ¹					
<i>Objective: Harvesting of wood products is within allowable levels</i>					
Forest type	1999-00 (%)	2006-07 (%)	2007-08 (%)	2008-09 (%)	2009-10 (%)
Hardwood native and planted forest	95	93	93	80	81
Hardwood native and plantation pulpwood	100	93	93	112	113
Native cypress forest	97	96	96	93	100
Softwood planted forest	95	98	98	73	88
Softwood planted pulpwood	104	87	85	77	80

¹ This indicator takes the 'allowable cut' and compares it to actual harvested amounts. Allowable cut is used as a substitute for predicted sustainable yield. Allowable cuts are based on predicted sustainable yield models, but take into consideration the operational implementation requirements of government and industry.

Note that Forests Agreements permit allowable cut to vary by +/- 25% within any 1 year and +/- 5% over a 5 year agreement period. This applies for differing timber products depending on the Forest Agreement.

Indicator 30 - Forest certification	
<i>Objective: Maintain ISO 14001:2004 & Australian Forestry Standard</i>	

Two external audits were undertaken during 2009-10. The first was a recertification audit undertaken in September, which applied to the Australian Forestry Standard (AS 4708 :2007) and the Environmental Management Systems Standard (ISO 14001:2004). During this audit the external auditors visited Western, Northern, North East, Southern and Hume Regions.

The auditor reported that Forests NSW was continuing to comply with both standards, while systematically implementing recommendations of previous audits.

In March 2010 a surveillance audit to both standards was undertaken in Native Forests Branch Central & Planted Forests Branch Monaro Regions. Forests NSW also passed this audit and continues to act on recommendations included in the audit reports. During the year Forests NSW published details of the Forests NSW defined forest area for AFS on the organisation's website (www.industry.nsw.gov.au).

Indicator 31 - Trading profit (before tax)					
<i>Objective: Meeting profitability and dividend targets as agreed with NSW Treasury and increasing management efficiency</i>					
Year	1999-00	2006-07	2007-08	2008-09	2009-10
Value ('000) ¹	\$29 541	\$28 037	\$14 499	-\$16 389	\$19 738
\$'000 per employee	\$24.25	\$25.60	\$8.30	-\$18.50	\$23.52

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

Places of business Business hours 8.30 am – 4.30 pm (Mon-Fri)

Divisional and corporate offices

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

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

Native Forests Divisional Office
PO Box 4019
Coffs Harbour Jetty 2450
357 Harbour Drive
Coffs Harbour Jetty
(02) 6656 8800 Fax (02) 6651 2909

Regions

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

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

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

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

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

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

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

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

Retail nurseries

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

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

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

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

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

Wagga Wagga
PO Box 5336 Wagga Wagga 2650
Olympic Way
Wagga Wagga 2650
(02) 6931 2600 Fax (02) 6931 3201

Commercial production nurseries (no public enquiries)

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

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

Part 2

Financial statements

Forestry Commission of NSW (trading as Forests NSW)

Consolidated Annual Financial Statements

For the year ended 30 June 2010

ABN 43 141 857 613

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Forestry Commission Division

Annual Financial Statements

For the year ended 30 June 2010

ABN 83 326 008 792

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Statement of Comprehensive Income

For the year ended 30 June 2010

	Notes	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
Revenue					
Forest sales revenue	5(a)	286 864	262 893	286 864	262 893
Other revenue	5(b)	29 521	9 557	30 188	9 557
Grants revenue	5(c)	12 327	13 809	12 327	13 809
Change in fair value less estimated point of sale costs	13	(8 723)	45 020	(9 443)	45 020
Total Revenue		319 989	331 279	319 936	331 279
Expenses					
Expenses from operations	6	(213 565)	(203 018)	(213 560)	(203 018)
Depreciation and amortisation expense	12,16	(7 956)	(10 128)	(7 929)	(10 128)
Employee & related		(26 615)	(28 085)	-	-
Personnel services	27	(62 349)	(106 613)	(91 280)	(141 629)
Financing costs	7	(12 174)	(12 166)	(12 174)	(12 166)
Impairment of non-current assets	12,14,15,16	(1 444)	(17 942)	(4 245)	(17 942)
Total Expenses		(324 103)	(377 952)	(329 188)	(384 883)
Profit/(loss) before income tax		(4 114)	(46 673)	(9 252)	(53 604)
Income tax (expense)/credit	8	(228 103)	2 402	(228 103)	2 402
Profit/(loss) for the year		(232 217)	(44 271)	(237 355)	(51 202)
Other comprehensive income					
Realised gain on disposal of other fixed assets		805	11 199	805	11 199
Defined benefit plan actuarial gains/ (losses)		(2 316)	(6 931)	-	-
Income tax on other comprehensive income		350	11 714	350	11 714
Total other comprehensive income for the year, net of income tax		(233 378)	(28 289)	(236 200)	(28 289)
Total comprehensive income for the year		(233 378)	(28 289)	(236 200)	(28 289)
Profit /(loss) Attributable to:					
members of parent entity		(233 378)	(28 289)	(236 200)	(28 289)

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

Statement of Financial Position

As at 30 June 2010

	Notes	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
ASSETS					
Current Assets					
Cash and cash equivalents	9	18 528	13 791	17 978	13 791
Trade and other receivables	10	48 914	44 001	48 904	44 001
Inventories	11	4 314	9 970	4 314	9 970
Biological assets	13	56 995	49 613	56 995	49 613
Other assets	27	-	-	671	-
Current tax assets		-	268	-	268
Total Current Assets		128 751	117 643	128 862	117 643
Non-Current Assets					
Property, plant and equipment	12	1 130 710	1 125 085	1 129 206	1 125 085
Biological assets	13	604 991	620 387	603 562	620 387
Investment assets	14	7 477	8 750	7 477	8 750
Investments in subsidiaries	15	-	-	-	-
Intangibles	16	974	-	974	-
Total Non-Current Assets		1 744 152	1 754 222	1 741 219	1 754 222
TOTAL ASSETS		1 872 903	1 871 865	1 870 081	1 871 865
LIABILITIES					
Current Liabilities					
Trade and other payables	19	117 009	51 425	117 009	51 425
Borrowings	20	15 942	5 628	15 942	5 628
Dividend paid/provided for	21	9 600	-	9 600	-
Provisions	22	20 740	18 254	7 916	4 998
Provision for income tax		8 119	-	8 119	-
Other Liabilities	27	4 761	47 530	4 761	47 530
Total Current Liabilities		176 171	122 837	163 347	109 581
Non-Current Liabilities					
Trade and other payables	19	27 759	-	27 759	-
Borrowings	20	124 792	159 581	124 792	159 581
Provisions	22	3 490	4 290	3 330	4 130
Deferred income tax liability	17	470 871	249 672	470 871	249 672
Amount due to related entities	27	-	27 263	12 984	40 679
Total Non-Current Liabilities		626 912	440 806	639 736	454 062
TOTAL LIABILITIES		803 083	563 643	803 083	563 643
NET ASSETS		1 069 820	1 308 222	1 066 998	1 308 222
EQUITY					
Contributed Equity		421 706	421 706	421 706	421 706
Asset revaluation reserve		678 060	673 508	678 060	673 508
Retained profits		(29 946)	213 008	(32 768)	213 008
TOTAL EQUITY		1 069 820	1 308 222	1 066 998	1 308 222

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 2010

	Notes	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
Cash flows from operating activities					
Receipts					
Cash receipts from customers		357 309	341 811	357 976	341 811
Interest received	5	805	1 086	801	1 086
Payments					
Cash paid to suppliers and employees		(309 614)	(322 791)	(310 281)	(322 791)
Interest paid		(8 901)	(10 176)	(8 901)	(10 176)
Income taxes paid		(712)	1 223	(712)	1 223
Net Cash flows from/(used in) operating activities		38 887	11 153	38 883	11 153
Cash flows from investing activities					
Acquisition of property, plant and equipment		(8 862)	(8 230)	(8 862)	(8 230)
Proceeds from sale of property, plant & equipment		3 219	4 508	3 219	4 508
Acquisition of investments		-	-	-	-
Acquisition of subsidiary		(4 032)	-	(4 578)	-
Net cash flows from/(used in) investing activities		(9 675)	(3 722)	(10 221)	(3 722)
Cash flows from financing activities					
Proceeds from borrowings		-	654	-	654
Repayment of borrowings		(24 475)	(4 934)	(24 475)	(4 934)
Dividends paid	21	-	(1 000)	-	(1 000)
Net cash flows from/(used in) financing activities		(24 475)	(5 280)	(24 475)	(5 280)
Net increase in cash and cash equivalents		4 737	2 151	4 187	2 151
Opening cash and cash equivalents at 1 July		13 791	11 640	13 791	11 640
Closing cash and cash equivalents at 30 June	9	18 528	13 791	17 978	13 791

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 2010

Economic Entity	Contributed Equity \$ '000	Asset Revaluation Reserve \$ '000	Retained Profits \$ '000	Total Equity \$ '000
Balance as at 1 July 2008	421 706	700 746	242 847	1 365 299
Total comprehensive income for the year				
<i>Profit or loss</i>	-	-	(44 271)	(44 271)
<i>Other comprehensive income</i>				
Realised gain on disposal of other fixed assets	-	-	11 199	11 199
Defined benefit plan actuarial gains/ (losses)	-	-	(6 931)	(6 931)
Asset disposals	-	(13 782)	-	(13 782)
Impairments/Revaluations	-	(12 412)	-	(12 412)
Income tax recognised on Property, plant and equipment	-	-	11 714	11 714
Total Other comprehensive income	-	(26 194)	15 982	(10 212)
Total comprehensive income for the year	-	(26 194)	(28 289)	(54 483)
<i>Transactions with owners, recorded directly in equity</i>				
Transactions with owners in their capacity as owners (a)	-	(1 044)	(1 550)	(2 594)
Dividend provided for or paid	-	-	-	-
Total transactions with owners	-	(1 044)	(1 550)	(2 594)
Balance as at 30 June 2009	421 706	673 508	213 008	1 308 222
Balance as at 1 July 2009	421 706	673 508	213 008	1 308 222
Total comprehensive income for the year				
<i>Profit or loss</i>	-	-	(232 217)	(232 217)
<i>Other comprehensive income</i>				
Realised gain on disposal of other fixed assets	-	(792)	792	-
Defined benefit plan actuarial gains/ (losses)	-	-	(2 316)	(2 316)
Asset disposals	-	(160)	13	(147)
Impairments/Revaluations	-	5 438	-	5 438
Income tax recognised on Property, plant and equipment	-	-	350	350
Total Other comprehensive income	-	4 486	(1 161)	3 325
Total comprehensive income for the year	-	4 486	(233 378)	(228 892)
<i>Transactions with owners, recorded directly in equity</i>				
Transactions with owners in their capacity as owners (a)	-	66	24	90
Dividend provided for or paid	-	-	(9 600)	(9 600)
Total transactions with owners	-	66	(9 576)	(9 510)
Balance as at 30 June 2010	421 706	678 060	(29 946)	1 069 820

(a) In 2009/10, 2 789.90 hectares (2008/09: 7 358.50 hectares) were revoked and transferred to Department of Environment, Climate Change & Water (DECCW) and 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 – *continued*

For the year ended 30 June 2010

Statutory Corporation	Contributed Equity \$ '000	Reserves \$ '000	Retained Profits \$ '000	Total Equity \$ '000
Balance as at 1 July 2008	421 706	700 746	242 847	1 365 299
Total comprehensive income for the year				
<i>Profit or loss</i>	-	-	(51 202)	(51 202)
<i>Other comprehensive income</i>				
Realised gain on disposal of other fixed assets	-	-	11 199	11 199
Asset disposals	-	(13 782)	-	(13 782)
Impairments/Revaluations	-	(12 412)	-	(12 412)
Income tax recognised on Property, plant and equipment	-	-	11 714	11 714
Total Other comprehensive income	-	(26 194)	22 913	(3 281)
Total comprehensive income for the year	-	(26 194)	(28 289)	(54 483)
<i>Transactions with owners, recorded directly in equity</i>				
Transactions with owners in their capacity as owners (a)	-	(1 044)	(1 550)	(2 594)
Dividend provided for or paid	-	-	-	-
Total transactions with owners	-	(1 044)	(1 550)	(2 594)
Balance as at 30 June 2009	421 706	673 508	213 008	1 308 222
Balance as at 1 July 2009	421 706	673 508	213 008	1 308 222
Total comprehensive income for the year				
<i>Profit or loss</i>	-	-	(237 355)	(237 355)
<i>Other comprehensive income</i>				
Realised gain on disposal of other fixed assets	-	(792)	792	-
Asset disposals	-	(160)	13	(147)
Impairments/Revaluations	-	5 438	-	5 438
Income tax recognised on Property, plant and equipment	-	-	350	350
Total Other comprehensive income	-	4 486	1 155	5 641
Total comprehensive income for the year	-	4 486	(236 200)	(231 714)
<i>Transactions with owners, recorded directly in equity</i>				
Transactions with owners in their capacity as owners (a)	-	66	24	90
Dividend provided for or paid	-	-	(9 600)	(9 600)
Total transactions with owners	-	66	(9 576)	(9 510)
Balance as at 30 June 2010	421 706	678 060	(32 768)	1 866 998

(a) In 2009/10, 2 789.90 hectares (2008/09: 7 358.50 hectares) were revoked and transferred to Department of Environment, Climate Change & Water (DECCW) and other NSW related government agencies.

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 2010

1. Corporate Information

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

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

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

From 17 March 2006 Forests NSW employees became the employees of either DII (2009: DPI) or the new entity, Forestry Commission Division. As a PTE, Forests NSW continues to be responsible for making use of certain employees and resources of both DII and Forestry Commission Division at its own cost, and must meet all expenses, taxes, duties and Government dividends from revenues earned from the commercial business activities it undertakes.

This supply and continued use of resources and shared services from DII and Forestry Commission Division is based on signed Memorandums of Understanding.

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

Forests NSW is the parent reporting entity and its operations are consolidated with the activities of Forestry Commission Division and Timber & Carbon Plantations Pty Ltd (ACN 091040783) to form the economic reporting entity.

The *Public Sector Employment & Management (Department of Primary Industries) Order 2004*, made on 23 June 2004 established the NSW Department of Primary Industries (DPI), with Forests NSW operating as a self funded division of DPI. The *Public Sector Employment and Management (Department Amalgamations) Order 2009* became effective on 1 July 2009. As a result of this Order, Forests NSW was no longer a controlled entity of the former Department of Primary Industries. This had no effect on the operation of Forests NSW as public trading enterprise.

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 financial Statements of Forests NSW for the year ended 30 June 2010 has been authorised for issue by the Commissioner of Forests NSW, Dr. Richard Sheldrake, on 13 October 2010.

(b) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations, the Public Finance and Audit Act 1983, NSW Treasury Circulars, and the Public Finance and Audit (General) Regulation 2010.

Forests NSW 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 year or in the year of revision and years if the revision affects both.

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 18 Employee Defined Benefits

(d) Basis of Consolidation

The Consolidated financial statements comprise the financial statements of Forests NSW and its subsidiaries 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 Forests NSW. Control exists when Forests NSW has the power to govern the financial and operating policies of an entity so as to obtain benefits from 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.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company except for Timber & Carbon Plantations Pty Ltd (which has a 31 December year end) using consistent accounting policies.

Investments in subsidiaries held by Forests NSW are accounted for at

Notes to the Financial Statements

For the year ended 30 June 2010

cost in the separate financial statements of the parent entity less any impairment charges.

(ii) Joint ventures

Forests NSW is involved in softwood and hardwood plantation joint ventures.

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

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

(iii) Transactions eliminated on consolidation

Intra-group balances and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(iv) Business Combinations

Business Combinations are accounted for using the acquisition method under AASB 3 Business Combinations. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the parent, the liabilities incurred by the acquirer to former owners of the acquiree. The non-controlling interest in the acquiree is measured either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operation or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Information in regards to the Group's Business Combinations is outlined in Note 25.

(e) Income Tax (National Tax Equivalent Regime)

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

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 Forests NSW intends to settle its current tax assets and liabilities on a net basis.

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

Included in the prior year was a net deferred tax liability amount which represented the future deductibility of biological assets amounting to \$796 693 000 (Tax effect @30% is \$ 239 007 900).

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

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

During the current year, the deductibility of this prior year amount had subsequently been denied approval from NSW Treasury to bring these plantation costs to account therefore the deferred tax asset has been derecognised in the current financial year.

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

Notes to the Financial Statements

For the year ended 30 June 2010

they relate to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

Other Taxes (GST)

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

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

(f) Trade and Other Receivables

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

Trade and other receivables are constantly reviewed and impaired when the debt is deemed uncollectible. Bad debts are written off as incurred. Credit sales are generally 7, 14 or 30 days settlement.

(g) Inventories and Work in Progress

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

(h) Property, Plant and Equipment

(i) Recognition and Measurement

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

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other 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 Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the regular servicing and maintenance of property, plant and equipment are recognised in 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 Group will obtain ownership by the end of the lease term. Land is not depreciated. Depreciation commences when assets are ready for use even if standby assets.

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

Type of Asset	Depreciation Method	Useful Life
Property (other than Land)	Straight Line	10 to 50 Years
Aircraft	Straight Line	10 years
Other Plant and Equipment	Straight Line	3 to 50 Years
Roads and Bridges		
- earthworks	Straight Line	50 Years
- paving	Straight Line	25-30 Years

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

(i) Non-Current Asset Valuations

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

(i) Property, Plant & Equipment

Land

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

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

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

Roads & Bridges

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

Notes to the Financial Statements

For the year ended 30 June 2010

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

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

Heavy Plant and Equipment, Motor Vehicles and Mobile Plant

Heavy Plant and Equipment, Motor Vehicles and Mobile Plant were revalued at 30 June 2009 by management. The carrying value as at 30 June 2010 approximates fair value.

(ii) Biological Assets

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

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

Forests NSW 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 (AASB 141). 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 Forests NSW' forest assets, Forests NSW 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

Forests NSW manages approximately 210 000 hectares of softwood plantations and approximately 25 000 hectares of hardwood plantations. The majority of Forests NSW 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

Forests NSW manages approximately 2.4 million 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).

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 two year period. 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. 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 assumes that both prices and costs will rise over time in line with inflation and allows for all prices and costs to be expressed in current dollar terms. The discount rate used for the current year valuation is 9.79% (2009: 10.02%).

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 Forests NSW using advanced modelling techniques/methods.

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.

Notes to the Financial Statements

For the year ended 30 June 2010

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. The inventory is updated on an annual basis to replace plots that have been disturbed due to harvesting or plots that were established in excess of 10 years from the previous measurement date.

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

(iii) Impairment of other tangible assets.

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

(iv) Impairment of tangible 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) Carbon Credits

Forests NSW participated in an inaugural sale of New South Wales Greenhouse Abatement Credits in 2004/2005. For financial year ending

30 June 2010, unsold carbon credit certificates are accounted for as inventory at lower of cost or net realisable value.

(k) Maintenance and Repairs

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

(l) Derecognition of Assets

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

Any gain or loss from derecognition of assets upon disposal is included in the Statement of Comprehensive Income in the year the item is derecognised.

(m) Other Financial Assets

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

(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

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

Notes to the Financial Statements

For the year ended 30 June 2010

(q) Cash and Cash Equivalents

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

(r) Finance Costs

Finance costs are recognised as expenses in the 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 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.

(t) Leased Assets

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

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

All other leases are classified as operating leases. Operating lease payments are recognised as expenses in the Statement of Comprehensive Income on a straight-line basis over the lease term.

(u) Dividend

The dividend is calculated according with TPP 02-3 Financial Distribution Policy for Government Businesses. The dividend payable of \$9,600,000 (2009: \$0) is calculated based on profit / loss adjusted for certain non-cash items.

(v) Revenue Recognition

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

(i) Sale of Timber and Related Activities

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

(ii) Forest management services

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

(iii) Rental Income

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

(w) Grants

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

(x) Employee Benefits

Salaries & Wages

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

Workers Compensation Insurance

Forests NSW' public servants are insured for workers compensation with the NSW Treasury Managed Fund (TMF). Forests NSW is a licensed self insurer under the provisions of the Workers Compensation Act 1987 for employees of the Forestry Commission Division (field workers). 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 2010 for the Forestry Commission Division. In addition separate insurance cover is held with private insurance companies for excess total incident and total claims costs for the Forestry Commission Division.

From 17 March 2006 onwards, the NSW Government proclaimed the PSELAA (Public Sector Employment Legislation Amendment Act 2006). As of that date, all related employee costs and entitlements are recognised as Personnel Services from the supply of labour related services from both DII (2009: DPI) and Forestry Commission Division.

Employee related liabilities are transferred from Forests NSW's statutory accounts to DII (2009: DPI) and Forestry Commission Division in accordance with the established memorandum of understanding. In the Forests NSW's (Statement of Financial Position), they are disclosed as amounts due to related entities.

Notes to the Financial Statements

For the year ended 30 June 2010

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

Annual leave

Liability for Annual Leave is recognised in Forestry Commission Division and measured in respect of employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled. Long-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*. Market yields on government bonds are used to discount long-term annual leave.

Long Service Leave

A liability for Long Service Leave is recognised in Forestry Commission Division 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 on notional government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

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.

Superannuation

Calculation of the total liability for superannuation is based on actuarial advice.

The superannuation liability is recognised in Forestry Commission Division. It is the difference between the gross liabilities and the stake in the funds at reporting date in respect of Forestry Commission Division employees (refer Note 18).

(y) Investment Assets

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

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

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

(z) Adoption of New and Revised Accounting Standards

In the current year, the economic entity has adopted all of the new and revised Standards and Interpretations issued by the Australian

Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period.

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

Early adoption of new or revised *Accounting Standards/Interpretation*.

The following Australian Accounting Standards, amendments to Australian Accounting Standards and Interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30th June 2010, but have not been applied in preparing this financial report and have been mandated by NSW Treasury not to adopt early. The following Australian Accounting Standards, amendments to Australian Accounting Standards and Interpretations, which become mandatory in future financial years, are not expected to have a significant impact on the financial statements:

- AASB 9 and AASB 2009-11 regarding financial instruments (effective 1 July 2013)
- AASB 2009-5 regarding annual improvements (effective 1 July 2010)
- AASB 2009-9 regarding first time adoption (effective 1 July 2010)
- AASB 2009-10 regarding classification of rights (effective 1 July 2010)
- AASB 124 and AASB 2009-12 regarding related party transactions (effective 1 July 2011)
- AASB 2009-14 regarding prepayments of a minimum funding requirement (effective 1 July 2011)
- AASB 2010-1 regarding AASB 7 comparatives for first time adopters (effective 1 July 2010)

3. Financial risk management

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

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

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

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

Credit Risk

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

Notes to the Financial Statements

For the year ended 30 June 2010

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

Credit risk associated with Forests NSW's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW 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 Forests NSW has been recognised in the Statement of Financial Position at the carrying amount, net of any allowance for doubtful debts.

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

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

Liquidity Risk

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

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

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Forests NSW's exposures to market risk are primarily through interest rate risk on the agency borrowings and other price risks associated with the movement in the unit price of the Hour Glass Investment facilities. Forests NSW has 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 Forests NSW interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with NSW TCorp. Forests NSW does not account for any fixed rate financial instruments at fair value through 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 reasonably possible change of $\pm 1\%$ is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The agency exposure to interest rate risk is set out below.

Forests NSW's exposure to interest rates is set out in notes 9 and 20. Exposures arise from liabilities bearing variable interest rates as the Forests NSW intends to hold fixed interest assets and liabilities to maturity. Interest rate exposure is limited to interest rates available at the time of entering into arrangements with NSW Treasury Corporation. The assets or liabilities are held until maturity.

Other price risk – T Corp Hour Glass Investment facilities

Exposure to 'other price risk' primarily arises through investment with NSW TCorp. Hour Glass Investment facilities, which are held for strategic rather than trading purposes. Apart from the Group's investment in Timber & Carbon Plantations Pty Ltd, Forests NSW has no direct equity investments.

Forests NSW only holds units in the Hour Glass Investment Cash Facility trust. This trust only invests in Cash & money market instruments that have an investment horizon up to 1.5 years (June 2009 – 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. As trustee, 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 Forests NSW exposure to risk, as it allows diversification across a pool of funds, with different investment horizons and a mix of investments.

NSW TCorp. provides sensitivity analysis information for each of the facilities, using historically based volatility information. The 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 the Financial Statements

For the year ended 30 June 2010

4. Segment Reporting

Economic Entity	2010					2009				
	Hardwood Plantations \$ '000	Softwood Plantations \$ '000	Native Forests \$ '000	Other \$ '000	Total \$ '000	Hardwood Plantations \$ '000	Softwood Plantations \$ '000	Native Forests \$ '000	Other \$ '000	Total \$ '000
Revenue										
External Segment Revenue	5 336	188 869	92 660	-	286 864	6 424	164 725	91 744	-	262 893
Change in fair value of biological assets	-	(8 723)	-	-	(8 723)	-	45 020	-	-	45 020
Other Revenue	-	-	-	41 848	41 848	-	-	-	23 366	23 366
Total Revenue	5 336	180 145	92 660	41 848	319 989	6 424	209 745	91 744	23 366	331 279
Expenses										
Harvesting and Haulage Costs	1 138	87 496	51 544	-	140 178	239	71 912	51 052	-	123 203
Depreciation	2	2 752	9	5 193	7 956	2	2 846	1 311	5 969	10 128
Personnel Services	1 006	18 916	25 469	43 573	88 964	1 685	12 466	21 661	98 886	134 698
Impairment of non-current assets	-	-	-	1 444	1 444	-	-	-	17 942	17 942
Other expenses	1 121	37 499	29 952	16 989	85 561	188	49 719	30 996	11 079	91 981
Total Expenses	3 267	146 663	106 974	67 199	324 103	2 114	136 943	105 020	133 876	377 952
Net Profit/(loss) before income tax	2 069	33 482	(14 314)	(25 351)	(4 114)	4 310	72 802	(13 276)	(110 510)	(46 673)
Income Tax Expense/(credit)	-	-	-	228 103	228 103	-	-	-	(2 402)	(2 402)
Other comprehensive income	-	-	-	(1 161)	(1 161)	-	-	-	15 982	15 982
Total comprehensive income for the year	2 069	33 482	(14 314)	(254 615)	(233 378)	4 310	72 802	(13 276)	(92 126)	(28 289)
Assets										
Segment Assets	1 891	1 179 422	513 537	-	1 694 851	63 699	1 160 722	537 657	-	1 762 078
Unallocated Assets	-	-	-	178 052	178 052	-	-	-	109 787	109 787
Total Assets	1 891	1 179 422	513 537	178 052	1 872 903	63 699	1 160 722	537 657	109 787	1 871 865
Liabilities										
Segment Liabilities	39	22 298	5 869	-	28 206	45	17 387	4 902	-	22 334
Unallocated Liabilities	-	-	-	774 877	774 877	-	-	-	541 309	541 309
Total Liabilities	39	22 298	5 869	774 877	803 083	45	17 387	4 902	541 309	563 643

Notes to the Financial Statements

For the year ended 30 June 2010

5. Revenue

	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
Revenue				
a) Forest Sales Revenue				
Royalties from sale of timber and related products	150 334	138 290	150 334	138 290
Contract Harvest and Haulage	136 530	124 603	136 530	124 603
Total Forest Sales Revenue	286 864	262 893	286 864	262 893
b) Other Revenue				
Other Services Rendered	25 575	23 250	26 246	23 250
Rental Income from Investment Properties	266	120	266	120
Other rental	3 764	2 188	3 764	2 188
Gain/(Loss) on disposal of Non-Current Assets	(1 034)	(17 087)	(1 034)	(17 087)
Revaluation of Non-Current Assets	145	-	145	-
Interest Received	805	1 086	801	1 086
Total Other Revenue	29 521	9 557	30 188	9 557
c) Grants revenue				
Community service obligations	9 557	9 557	9 557	9 557
Other state government grants	2 770	4 252	2 770	4 252
Total Grants Revenue	12 327	13 809	12 327	13 809

Community Services and Government Grants

Forests NSW Community Service and Government Grants totalled \$12 327 000 (2009: \$13 809 000). Grants included capital and revenue components, which are detailed in the following notes:

(i) Community Service Obligations

The State Government contributed \$9 557 000 (2009: \$9 557 000) towards the cost of providing Community Services. This contribution was included in the financial statements as revenue. In 2009/10, these services, which include provision of recreation facilities, education and advisory services, government liaison and regulatory services, community fire protection and research cost Forests NSW \$10 494 940 (2009: \$8 572 000). These costs are included in operating expenditure.

(ii) Other Government Grants

The State Government also paid Forests NSW \$2 770 000 (2009: \$4 252 000) for the performance of specific services including tasks associated with the Interim Assessment Process and related Comprehensive Resource Assessments.

Notes to the Financial Statements

For the year ended 30 June 2010

6. Expenses from Operations

	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
Operating Expenses				
Contract harvest and haulage	140 178	123 203	140 178	123 203
Contractors	11 740	20 084	11 740	20 084
Fees	12 995	9 976	12 995	9 976
Materials	23 520	20 019	23 520	20 019
Occupancy costs	2 062	1 961	2 062	1 961
Other	6 659	10 356	6 654	10 356
Plantation establishment costs	12 760	13 610	12 760	13 610
Travel and Accommodation	2 348	2 313	2 348	2 313
Telephone and Communication costs	1 303	1 496	1 303	1 496
Total Operating Expenses	213 565	203 018	213 560	203 018

7. Financing costs

	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
Interest Expense	(9 126)	(10 311)	(9 126)	(10 311)
Government Guarantee Fee	(3 048)	(1 855)	(3 048)	(1 855)
Financing Costs Recognised in Comprehensive Income	(12 174)	(12 166)	(12 174)	(12 166)

8. Income Tax Expense

	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
Current Tax Expense / (Credit)				
Current Period	8 831	1 619	8 831	1 619
Deferred Tax Expense / (Credit)				
Reversal of tax asset relating to Pre 1994 Plantation Establishment Costs	239 008	-	239 008	-
Origination and reversal of temporary differences	(19 736)	(4 021)	(19 736)	(4 021)
Total Income Tax Expense / (Credit)	228 103	(2 402)	228 103	(2 402)

Numerical reconciliation between tax expense and pre-tax accounting profit

Pre-Tax Accounting Profit / (Loss)	(4 114)	(28 289)	(9 252)	(28 289)
Income tax using the statutory rate of 30%	(1 233)	(14 002)	(2 775)	(14 002)
Excess of accounting depreciation over tax depreciation	(318)	538	(327)	538
Non-deductible expenses	4 339	17 227	5 672	17 227
Loss on discontinued assets	314	7 540	314	7 540
Net movements in provisions	2 791	2 957	2 791	2 957
Unearned revenue	852	859	852	859
Change in net market value of biological assets	2 617	(13 500)	2 833	(13 500)
Investment Allowance	(539)	-	(539)	-
NSW Treasury Transactions	10	-	10	-
Reversal of tax asset relating to Pre 1994 Plantation Establishment Costs	239 008	-	239 008	-
Change in unrecognised temporary differences	(19 736)	(4 021)	(19 736)	(4 021)
Total Income Tax Expense / (Credit)	228 103	(2 402)	228 103	(2 402)

Notes to the Financial Statements

For the year ended 30 June 2010

9. Cash and Cash Equivalents

Details regarding credit risk, liquidity risk and market risk arising from financial statements are disclosed in Note 3 and 23.

	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
a) Reconciliation of Cash and Cash Equivalents				
Cash at bank	8 269	11 026	7 719	11 026
Cash on hand	33	38	33	38
NSW Treasury Corporation Hour Glass Cash Facility	9 837	31	9 837	31
Restricted security deposits	305	749	305	749
Investment	84	1 947	84	1 947
Balances as per Statement of Cash Flows	18 528	13 791	17 978	13 791

Investments at Call

The NSW Treasury Corporation Hour Glass cash facility has been subject to floating interest rates between 3.91% and 5.25% (2009 5.22% and 6.82%)

b) Reconciliation of net profit after tax to net cash flows from operations				
Net Profit/(loss) after income tax	(232 217)	(44 271)	(237 355)	(51 202)
Add/(less) non cash items:				
Depreciation	7 956	10 128	7 929	10 128
(Profit)/loss on disposal of non-current assets	(3 219)	(4 508)	(3 219)	(4 508)
(Increment)/Decrement in fair value of biological assets	8 723	(45 020)	9 443	(45 020)
Income tax expense	221 199	(15 736)	221 199	(15 736)
Other non-cash items	19 899	103 510	12 032	117 488
	22 341	4 103	10 030	11 150
Change in operating assets and liabilities:				
Movement in receivables	(18 002)	(52 261)	(4 799)	(52 261)
Movement in inventories	5 656	(2 404)	5 656	(2 404)
Movement in creditors	63 274	1 667	63 049	1 667
Movement in provisions	(42 769)	58 825	(43 440)	51 778
Movement in income tax	8 387	1 223	8 387	1 223
	16 546	7 050	28 853	3
Net cash provided by operating activities	38 887	11 153	38 883	11 153

Notes to the Financial Statements

For the year ended 30 June 2010

10. Trade and Other Receivables

Details regarding credit risk, liquidity risk and market risk, including financial assets that are past due or impaired, are disclosed in Note 3 and 23.

	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
Trade Receivables	44 734	43 389	44 734	43 389
Less: Allowance for impairment	(1 504)	(1 370)	(1 504)	(1 370)
	43 230	42 019	43 230	42 019
Other Debtors	1 486	94	1 476	94
Prepayments	4 198	1 888	4 198	1 888
Total Receivables	48 914	44 001	48 904	44 001

During the year bad debts amounting to \$13 306 (2009:\$0) were written off

	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
Allowance for impairment				
Carrying amount at the beginning of the year	(1 370)	(22)	(1 370)	(22)
Additional provisions made in the year	(147)	(1 348)	(147)	(1 348)
Amounts used during the year	13	-	13	-
Unused amounts reversed during the year	-	-	-	-
Carrying amount at the end of the year	(1 504)	(1 370)	(1 504)	(1 370)

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

	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
0-30 Days	41 421	25 442	41 421	25 442
31-60 Days (Past due but not impaired)	1 298	15 588	1 298	15 588
31-60 Days (Considered impaired)	680	9	680	9
61-90 Days (Past due but not impaired)	283	253	283	253
61-90 Days (Considered impaired)	95	339	95	339
> 90 Days (Past due but not impaired)	228	736	228	736
> 90 Days (Considered impaired)	729	1 022	729	1 022
Total	44 734	43 389	44 734	43 389

11. Inventories

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

	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
Materials and Parts - at cost	2 333	6 405	2 333	6 405
Work in progress and finished goods	1 981	3 565	1 981	3 565
Total Inventories	4 314	9 970	4 314	9 970

Notes to the Financial Statements

For the year ended 30 June 2010

12. 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 2008	1 022 466	1 946	28 565	108 386	34 914	4 385	1 200 662
Accumulated depreciation and impairment	-	-	(1 353)	(7 797)	(7 630)	-	(16 780)
Net carrying amount at 1 July 2008	1 022 466	1 946	27 212	100 589	27 284	4 385	1 183 882
Additions	-	-	-	-	-	8 230	8 230
Transfers from WIP	-	-	1 144	4 375	3 451	(8 970)	-
Transfer to Investment Property	-	-	(80)	-	-	-	(80)
Asset Dedications	235	-	-	-	-	-	235
Asset Revocation	(1 492)	-	-	-	-	-	(1 492)
Disposals	(945)	(120)	(1 416)	(15 231)	(2 138)	-	(19 850)
Depreciation Expense	-	-	(1 433)	(4 072)	(4 623)	-	(10 128)
Impairment recognised in Statement of Comprehensive Income	-	-	(4 748)	(8 722)	(4 472)	-	(17 942)
Revaluation recognised in ARR	-	-	(7 419)	(10 697)	346	-	(17 770)
Net carrying amount at 30 June 2009	1 020 264	1 826	13 260	66 242	19 848	3 645	1 125 085
Gross at 1 July 2009	1 020 264	1 826	28 213	97 530	36 227	3 645	1 187 705
Accumulated depreciation and impairment	-	-	(14 953)	(31 288)	(16 379)	-	(62 620)
Net carrying amount at 1 July 2009	1 020 264	1 826	13 260	66 242	19 848	3 645	1 125 085
Additions	-	-	-	1 988	-	6 874	8 862
Transfers from WIP	-	-	1 699	1 089	7 046	(9 834)	-
Transfer to Investment Property	(15)	54	275	-	-	-	314
Asset Dedications	129	-	-	-	-	-	129
Asset Revocation	(769)	-	-	-	-	-	(769)
Disposals	(288)	(179)	(303)	-	(1 465)	-	(2 235)
Depreciation Expense	-	-	(646)	(2 736)	(4 455)	-	(7 837)
Revaluation loss/income	247	(18)	-	-	(72)	-	157
Impairment recognised in Statement of Comprehensive Income	99	-	(96)	(457)	-	-	(454)
Revaluation recognised in ARR	7 477	(19)	-	-	-	-	7 458
Net carrying amount at 30 June 2010	1 027 144	1 664	14 189	66 126	20 902	685	1 130 710

Notes to the Financial Statements

For the year ended 30 June 2010

12. Property, Plant and Equipment (Cont'd)

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 2008	1 022 466	1 946	28 565	108 386	34 914	4 385	1 200 662
Accumulated depreciation and impairment	-	-	(1 353)	(7 797)	(7 630)	-	(16 780)
Net carrying amount at 1 July 2008	1 022 466	1 946	27 212	100 589	27 284	4 385	1 183 882
Additions	-	-	-	-	-	8 230	8 230
Transfers from WIP	-	-	1 144	4 375	3 451	(8 970)	-
Transfer to Investment Property	-	-	(80)	-	-	-	(80)
Asset Dedications	235	-	-	-	-	-	235
Asset Revocation	(1 492)	-	-	-	-	-	(1 492)
Disposals	(945)	(120)	(1 416)	(15 231)	(2 138)	-	(19 850)
Depreciation Expense	-	-	(1 433)	(4 072)	(4 623)	-	(10 128)
Impairment recognised in Statement of Comprehensive Income	-	-	(4 748)	(8 722)	(4 472)	-	(17 942)
Revaluation recognised in ARR	-	-	(7 419)	(10 697)	346	-	(17 770)
Net carrying amount at 30 June 2009	1 020 264	1 826	13 260	66 242	19 848	3 645	1 125 085
Gross at 1 July 2009	1 020 264	1 826	28 213	97 530	36 227	3 645	1 187 705
Accumulated depreciation and impairment	-	-	(14 953)	(31 288)	(16 379)	-	(62 620)
Net carrying amount at 1 July 2009	1 020 264	1 826	13 260	66 242	19 848	3 645	1 125 085
Additions	-	-	-	-	-	6 874	6 874
Transfers from WIP	-	-	1 699	1 089	7 046	(9 834)	-
Transfer to Investment Property	(15)	54	275	-	-	-	314
Asset Dedications	129	-	-	-	-	-	129
Asset Revocation	(769)	-	-	-	-	-	(769)
Disposals	(288)	(179)	(303)	-	(1 465)	-	(2 235)
Depreciation Expense	-	-	(646)	(2 709)	(4 455)	-	(7 810)
Revaluation loss/income	247	(18)	-	-	(72)	-	157
Impairment recognised in Statement of Comprehensive Income	99	-	(96)	-	-	-	3
Revaluation recognised in ARR	7 477	(19)	-	-	-	-	7 458
Net carrying amount at 30 June 2010	1 027 144	1 664	14 189	64 622	20 902	685	1 129 206

Notes to the Financial Statements

For the year ended 30 June 2010

13. Biological Assets

	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
Current				
Biological assets at fair value	56 995	49 613	56 995	49 613
Non-Current				
Biological assets at fair value	604 991	620 387	603 562	620 387
Total	661 986	670 000	660 557	670 000

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

	Change	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2009 \$ '000
Discount Rate (Weighted Average Costs of Capital)	+1%	(49 810)	(47 219)	(48 759)	(47 219)
	-1%	57 760	54 156	56 418	54 156
Expected future sales values	+5%	52 391	52 503	51 802	52 503
	-5%	(52 391)	(52 503)	(51 802)	(52 503)
Expected future costs	+5%	(19 292)	(17 197)	(18 774)	(17 197)
	-5%	19 292	17 197	18 774	17 197

Economic Entity	Hardwood Plantations \$ '000	Softwood Plantations \$ '000	Native Forests \$ '000	Total \$ '000
Balance at 1 July 2008	-	625 000	-	625 000
Additions	-	-	-	-
Reallocations	-	(20)	-	(20)
Change in fair value less estimated point of sale costs	-	45 020	-	45 020
Balance at 30 June 2009	-	670 000	-	670 000
Balance at 1 July 2009	-	670 000	-	670 000
Additions	-	709	-	709
Reallocations	-	-	-	-
Change in fair value less estimated point of sale costs	-	(8 723)	-	(8 723)
Balance at 30 June 2010	-	661 986	-	661 986

Statutory Corporation	Hardwood Plantations \$ '000	Softwood Plantations \$ '000	Native Forests \$ '000	Total \$ '000
Balance at 1 July 2008	-	625 000	-	625 000
Additions	-	-	-	-
Reallocations	-	(20)	-	(20)
Change in fair value less estimated point of sale costs	-	45 020	-	45 020
Balance at 30 June 2009	-	670 000	-	670 000
Balance at 1 July 2009	-	670 000	-	670 000
Additions	-	-	-	-
Reallocations	-	-	-	-
Change in fair value less estimated point of sale costs	-	(9 443)	-	(9 443)
Balance at 30 June 2010	-	660 557	-	660 557

Notes to the Financial Statements

For the year ended 30 June 2010

14. Investment Assets

	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
Investment assets at the beginning of the year	8 750	7 916	8 750	7 916
Additions	-	1 007	-	1 007
Disposals	(1 288)	(253)	(1 288)	(253)
Transfer from Buildings/land	15	80	15	80
Transfer to Buildings/land	(329)	-	(329)	-
Impairment loss recognised in Statement of Comprehensive Income	329	-	329	-
Investment assets at the end of the year	7 477	8 750	7 477	8 750

15. Investment in subsidiaries

	Notes	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
Investments in controlled entities					
at cost	26	-	-	4 578	-
Less Impairment of Subsidiary		-	-	(4 578)	-
Investments in controlled entities - at cost		-	-	-	-

Notes to the Financial Statements

For the year ended 30 June 2010

16. Intangibles

(a) Reconciliation of carrying amounts at the beginning and end of the year

Economic Entity	Notes	Software \$ '000	Goodwill \$ '000	Total \$ '000
Fair value at 1 July 2008		-	-	-
Accumulated Amortisation				
Accumulated impairment		-	-	-
Net carrying amount at 1 July 2008			-	-
Additions		-	-	-
Amortisation		-	-	-
Impairment		-	-	-
Net carrying amount at 30 June 2009		-	-	-
Fair value at 1 July 2009		-	-	-
Accumulated Amortisation		-	-	-
Accumulated impairment		-	-	-
Net carrying amount at 1 July 2009			-	-
Additions	25	1 093	1 319	2 412
Amortisation		(119)	-	(119)
Impairment		-	(1 319)	(1 319)
Net carrying amount at 30 June 2010		974	-	974

Statutory Corporation	Notes	Software \$ '000	Goodwill \$ '000	Total \$ '000
Fair value at 1 July 2008		-	-	-
Accumulated Amortisation				
Accumulated impairment		-	-	-
Net carrying amount at 1 July 2008			-	-
Additions		-	-	-
Amortisation		-	-	-
Impairment		-	-	-
Net carrying amount at 30 June 2009		-	-	-
Fair value at 1 July 2009		-	-	-
Accumulated Amortisation		-	-	-
Accumulated impairment		-	-	-
Net carrying amount at 1 July 2009			-	-
Additions		1 093	-	1 093
Amortisation		(119)	-	(119)
Impairment		-	-	-
Net carrying amount at 30 June 2010		974	-	974

(b) Description of the Group's goodwill

Goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment (refer to section (c) of this note).

(c) Impairment tests for goodwill

1. Description of the cash generating units and other relevant information

Goodwill acquired through business combinations has been allocated to and are tested at the level of their respective cash generating unit that are both an operating segment and a reportable segment (refer to note 4), for impairment testing.

2. Carrying amount of goodwill allocated to each of the cash generating units

The goodwill acquired through the purchase of Timber and Carbon Plantations Pty Limited was tested for impairment and written down to a Nil carrying amount. Hence the carrying amount of goodwill allocated to each of the cash generating units is Nil.

Notes to the Financial Statements

For the year ended 30 June 2010

17. Tax Assets and Liabilities

Economic Entity	Assets		Liabilities		Net	
	2010 \$ '000	2009 \$ '000	2010 \$ '000	2009 \$ '000	2010 \$ '000	2009 \$ '000
Property, plant and equipment	(94)	-	285 180	298 113	285 086	298 113
Biological Assets	-	(239 008)	198 596	201 000	198 596	(38 008)
Provisions	(5 095)	(3 571)	-	-	(5 095)	(3 571)
Revenue in Advance	(7 716)	(6 862)	-	-	(7 716)	(6 862)
Net deferred tax (assets)/ liabilities	(12 905)	(249 441)	483 776	499 113	470 871	249 672

Statutory Corporation	Assets		Liabilities		Net	
	2010 \$ '000	2009 \$ '000	2010 \$ '000	2009 \$ '000	2010 \$ '000	2009 \$ '000
Property, plant and equipment	(94)	-	285 180	298 113	285 086	298 113
Biological Assets	-	(239 008)	198 596	201 000	198 596	(38 008)
Provisions	(5 095)	(3 571)	-	-	(5 095)	(3 571)
Revenue in Advance	(7 716)	(6 862)	-	-	(7 716)	(6 862)
Net deferred tax (assets)/liabilities	(12 905)	(249 441)	483 776	499 113	470 871	249 672

Economic Entity	Balance 1 July 2008	Recognised in comprehensive income	Recognised in equity	Balance 30 June 2009	Recognised in comprehensive income	Recognised in equity	Balance 30 June 2010
Property, plant and equipment	324 372	(14 545)	(11 714)	298 113	(11 100)	(1 926)	285 086
Biological assets	(51 508)	13 500	-	(38 008)	236 604	-	198 596
Provisions	(1 452)	(2 119)	-	(3 571)	(1 524)	-	(5 095)
Revenue in advance	(6 004)	(858)	-	(6 862)	(854)	-	(7 716)
	265 408	(4 022)	(11 714)	249 672	223 126	(1 926)	470 871

Statutory Corporation	Balance 1 July 2008	Recognised in comprehensive income	Recognised in equity	Balance 30 June 2009	Recognised in comprehensive income	Recognised in equity	Balance 30 June 2010
Property, plant and equipment	324 372	(14 545)	(11 714)	298 113	(11 100)	(1 926)	285 086
Biological assets	(51 508)	13 500	-	(38 008)	236 604	-	198 596
Provisions	(1 452)	(2 119)	-	(3 571)	(1 524)	-	(5 095)
Revenue in advance	(6 004)	(858)	-	(6 862)	(854)	-	(7 716)
	265 408	(4 022)	(11 714)	249 672	223 126	(1 926)	470 871

Notes to the Financial Statements

For the year ended 30 June 2010

18. Employee Defined Benefits

Fund information

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

State Authorities Superannuation Scheme (SASS)

State Superannuation Scheme (SSS)

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

	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 Financial Year to 30 June 2010 A\$
Present value of partly funded defined benefit obligation at beginning of the year	36 864 865	4 052 446	0	40 917 311
Current service cost	728 496	191 734	0	920 230
Interest cost	1 991 676	217 076	0	2 208 752
Contributions by Fund participants	517 294	0	0	517 294
Actuarial (gains)/losses	1 672 112	253 617	0	1 925 728
Benefits paid	(3 808 683)	(583 469)	0	(4 392 152)
Past service cost	0	0	0	0
Curtailments	0	0	0	0
Settlements	0	0	0	0
Business Combinations	0	0	0	0
Exchange rate changes	0	0	0	0
Present value of partly funded defined benefit obligation at end of the year	37 965 760	4 131 404	0	42 097 164

Reconciliation of the fair value of Fund assets

	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 Financial Year to 30 June 2010 A\$
Fair value of Fund assets at beginning of the year	33 581 561	3 686 949	0	37 268 510
Expected return on Fund assets	2 822 904	311 567	0	3 134 472
Actuarial gains/(losses)	(405 585)	15 070	0	(390 516)
Employer contributions	989 766	208 514	0	1 198 280
Contributions by Fund participants	517 294	0	0	517 294
Benefits paid	(3 808 683)	(583 469)	0	(4 392 152)
Settlements	0	0	0	0
Business combinations	0	0	0	0
Exchange rate changes	0	0	0	0
Fair value of Fund assets at end of the year	33 697 257	3 638 632	0	37 335 888

Notes to the Financial Statements

For the year ended 30 June 2010

Reconciliation of the assets and liabilities recognised in the Statement of Financial Position

	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 Financial Year to 30 June 2010 A\$
Present value of partly funded defined benefit obligation at end of year	37 965 760	4 131 404	0	42 097 164
Fair value of Fund assets at end of year	(33 697 257)	(3 638 632)	0	(37 335 888)
Subtotal	4 268 503	492 772	0	4 761 276
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	4 268 503	492 772	0	4 761 276

Expense recognised in the Statement of Comprehensive Income

Components Recognised in the Statement of Comprehensive Income	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 Financial Year to 30 June 2010 A\$
Current service cost	728 496	191 734	0	920 230
Interest cost	1 991 676	217 076	0	2 208 752
Expected return on Fund assets (net of expenses)	(2 822 904)	(311 567)	0	(3 134 472)
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	(102 732)	97 243	0	(5 489)

Amounts recognised in other comprehensive income

	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 Financial Year to 30 June 2010 A\$
Actuarial (gains)/losses	2 077 697	238 547	0	2 316 244
Adjustment for limit on net asset	0	0	0	0

Cumulative amount recognised in other comprehensive income

	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 Financial Year to 30 June 2010 A\$
Actuarial (gains)/losses	11 921 334	1 839 506	6 398 313	20 159 153
Adjustment for limit on net asset	0	0	0	0

Notes to the Financial Statements

For the year ended 30 June 2010

Fund assets

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

	30-Jun-10
Australian equities	31.0%
Overseas equities	26.8%
Australian fixed interest securities	6.1%
Overseas fixed interest securities	4.3%
Property	9.5%
Cash	9.6%
Other	12.7%

Fair value of Fund assets

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

Expected rate of return on assets

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

Actual Return on Fund Assets

	SASS Financial Year to 30 June 2010 A\$	SANCS Financial Year to 30 June 2010 A\$	SSS Financial Year to 30 June 2010 A\$	TOTAL Financial Year to 30 June 2010 A\$
Actual return on Fund assets	3 107 019	326 637	0	3 433 656

Valuation method and principal actuarial assumptions at the Statement of Financial Position date

a) Valuation Method

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

b) Economic Assumptions

	30-Jun-10
Salary increase rate (excluding promotional increases)	3.5% pa
Rate of CPI Increase	2.5% pa
Expected rate of return on assets	8.60%
Discount rate	5.17% pa

c) Demographic Assumptions

The demographic assumptions at 30 June 2010 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 2010

Historical information

	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 Financial Year to 30 June 2010 A\$
Present value of defined benefit obligation	37 965 760	4 131 404	0	42 097 164
Fair value of Fund assets	(33 697 257)	(3 638 632)	0	(37 335 888)
(Surplus)/Deficit in Fund	4 268 503	492 772	0	4 761 276
Experience adjustments – Fund liabilities	1 672 112	253 617	0	1 925 728
Experience adjustments – Fund assets	405 585	(15 070)	0	390 516

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2010

Expected contributions

	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 Financial Year to 30 June 2010 A\$
Expected employer contributions to be paid in the next reporting year	982 859	215 558	0	1 198 416

Funding Arrangements for Employer Contributions

(a) Surplus/deficit

"Financial Reporting by Superannuation Plans":

	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 Financial Year to 30 June 2010 A\$
Accrued benefits	34 205 847	3 725 130	0	37 930 978
Net market value of Fund assets	(33 697 257)	(3 638 632)	0	(37 335 888)
Net (surplus)/deficit	508 591	86 499	0	595 090

(b) Contribution recommendations

Recommended contribution rates for the entity are:

SASS multiple of member contributions	SANCS % member salary	SSS 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 2010 actuarial review of the Fund are:

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

Nature of Asset/Liability

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

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

Notes to the Financial Statements

For the year ended 30 June 2010

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

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

Reconciliation of the fair value of Fund assets

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

Notes to the Financial Statements

For the year ended 30 June 2010

Reconciliation of the assets and liabilities recognised in the Statement of Financial Position

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

Expense recognised in Statement of Comprehensive Income

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

Amounts recognised in other comprehensive income

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

Cumulative amount recognised in other comprehensive income

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

Notes to the Financial Statements

For the year ended 30 June 2010

Fund assets

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

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

Fair value of Fund assets

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

Expected rate of return on assets

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

Actual Return on Fund Assets

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

Valuation method and principal actuarial assumptions at the balance sheet date

a) Valuation Method

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

b) Economic Assumptions

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

c) Demographic Assumptions

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

Notes to the Financial Statements

For the year ended 30 June 2010

Historical information

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

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

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

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

Expected contributions

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

Notes to the Financial Statements

For the year ended 30 June 2010

Funding Arrangements for Employer Contributions

(a) Surplus/deficit

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

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

(b) Contribution recommendations

Recommended contribution rates for the entity are:

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

(c) Funding method

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

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

(d) Economic assumptions

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

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

Nature of Asset/Liability

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

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

Notes to the Financial Statements

For the year ended 30 June 2010

19. Trade and Other Payables

	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
Current				
Trade Creditors	91 290	28 548	91 290	28 548
Revenue Received in Advance	25 719	22 877	25 719	22 877
Total Current	117 009	51 425	117 009	51 425
Non Current				
Trade Creditors	27 759	-	27 759	-
Total Non-Current	27 759	-	27 759	-
Total Trade Creditors	144 768	51 425	144 768	51 425

NB: Included in Trade Creditors is amount of \$82 212 000 owing to DII. Prior year was classified as a Related Party owing to DPI - refer Note 27.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 3 and 23.

20. Borrowings

	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
Current				
NSW Treasury Corporation Loans	15 942	5 628	15 942	5 628
Non-Current				
NSW Treasury Corporation Loans	124 792	159 581	124 792	159 581
Total	140 734	165 209	140 734	165 209

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 3 and 23.

21. Dividends Paid/Provided for

	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
Provision for dividend at beginning of year	-	1 000	-	1 000
Dividend paid	-	(1 000)	-	(1 000)
Dividend provided	9 600	-	9 600	-
Provision for dividend at end of year	9 600	-	9 600	-

Notes to the Financial Statements

For the year ended 30 June 2010

22. Provisions

	Notes	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
Current					
Employee Benefits	27 (iv)	12 824	13 256	-	-
Onerous contracts		7 116	4 108	7 116	4 108
Workers Compensation		800	890	800	890
Total Current		20 740	18 254	7 916	4 998
Non-Current					
Employee Benefits	27 (iv)	160	160	-	-
Workers Compensation		3 330	4 130	3 330	4 130
Total Non-Current		3 490	4 290	3 330	4 130
Total Provisions		24 230	22 544	11 246	9 128

Movement in provisions (other than employee benefits)

	Notes	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
Onerous contracts					
- Carrying amount at the beginning of the year		4 108	-	4 108	-
- additional provisions made in the year		3 008	4 108	3 008	4 108
- Carrying amount at the end of the year		7 116	4 108	7 116	4 108
Workers Compensation					
- Carrying amount at the beginning of the year		5 020	4 230	5 020	4 230
- additional provisions made in the year		290	2 580	290	2 580
- amounts used during the year		(1 180)	(1 790)	(1 180)	(1 790)
- Carrying amount at the end of the year		4 130	5 020	4 130	5 020
Total Carrying amount of provisions		11 246	9 128	11 246	9 128

23. Financial Instruments

(i) Quantitative Disclosures

	2010	2009
(i) Unrealised Gains/(Losses) from Derivatives	(30 103)	(810)

(ii) Contractual Maturity Analysis

2009

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

2010

Category	< 1 year	1 to 5 years	> 5 years	Cash Flows	Market Value
Fixed Rate Borrowings	(23 790 163)	(87 973 568)	(74 676 320)	(186 440 051)	(148 678 358)

Notes to the Financial Statements

For the year ended 30 June 2010

(iii) Sensitivity Analysis

Interest Rate Risk

	2010	2009
Approximate increase/(decrease) in fair value of financial liabilities assuming one percentage point decrease (increase) in interest rates	\$ 6 000 000	\$ 6 800 000

Hour-Glass Investment Facilities

	Change in Unit Price	2010 \$	2009 \$
Hour-Glass Cash Facility	+/- 1%	+/- 98 373	+/- 309

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

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At 30 June 2010, if interest rates had moved, as illustrated below, with all other variables held constant, post tax profit would have been affected as follows:

	Post tax profit - higher/(lower)	
Change in interest rates	2010 \$	2009 \$
+/- 1%	985 145	1 156 463

The movements in profit are due to higher/lower interest costs predominately from fixed rate debt and cash balances. The sensitivity is lower in 2010 than in 2009 primarily because of reductions in outstanding borrowings that has occurred due to early repayment of long term debt.

(iv) Net Fair Value of Financial Assets and Liabilities

(a) Off Statement of Financial Position

Forests NSW have potential financial liabilities which may arise from certain contingencies disclosed in Note 30 - Contingent Liabilities. As explained in the note, the claims cannot be quantified in terms of the likely impact on the carrying value of the Forests NSW asset.

(b) On Statement of Financial Position

Economic Entity - 2010	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	18 528	-	-	-	18 528
Trade and other receivables	-	-	-	44 716	44 716
Prepayments	-	-	-	4 198	4 198
Total Financial Assets	18 528	-	-	48 914	67 441
Financial Liabilities					
Interest bearing loans and borrowings	15 942	63 504	61 288	-	140 734
Trade and other payables	-	-	-	144 768	144 768
Total Financial Liabilities	15 942	63 504	61 288	144 768	285 502
Net Financial Liabilities	2 586	(63 504)	(61 288)	(95 855)	(218 061)

The carrying values of financial instruments are equal to the fair value except for loans and borrowings where the fair value is \$148 678 358

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

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

Notes to the Financial Statements

For the year ended 30 June 2010

Statutory Corporation - 2010	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	17 978	-	-	-	17 978
Trade and other receivables	-	-	-	44 706	44 706
Prepayments	-	-	-	4 198	4 198
Total Financial Assets	17 978	-	-	48 904	66 882
Financial Liabilities					
Interest bearing loans and borrowings	15 942	63 504	61 288	-	140 734
Trade and other payables	-	-	-	144 768	144 768
Total Financial Liabilities	15 942	63 504	61 288	144 768	285 502
Net Financial Liabilities	2 036	(63 504)	(61 288)	(95 864)	(218 620)

The carrying values of financial instruments are equal to the fair value except for loans and borrowings where the fair value is \$148 678 358

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

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

(c) Other Qualitative Disclosures:

Managed debt portfolios

NSW Treasury Corporation (TCorp.) manages interest rate risk exposures applicable to specific borrowings of Forests NSW in accordance with a debt portfolio mandate agreed between the two parties. TCorp. receives a fee for this service, (which may include a performance component where TCorp. is able on behalf of Forests NSW to add value by achieving a reduction in Forests NSW's debt costs against an agreed benchmark). TCorp. uses derivatives, primarily interest rate futures, to establish short-term (tactical) and longer term (strategic) positions within agreed tolerance limits to manage portfolio duration and maturity profiles. At reporting date the carrying value of borrowings and derivatives (net of funds held at call) managed by TCorp. stood at \$148.7 million (2009:\$ 170.9 million).

Hour-Glass Investment Facilities

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

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

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

NSW Treasury Corporation (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 the Financial Statements

For the year ended 30 June 2010

24. Operating Leases

At balance date Forests NSW had operating lease/rental agreements as Lessee totalling \$4 827 000 (2009: \$1 833 000). These agreements relate to occupancy of land, offices and equipment throughout the State. Forests NSW had no other material lease and hire purchase agreements.

Notes	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
Not later than one year	639	638	639	638
Later than 1 year and not later than five years	1 296	808	1 296	808
Later than 5 years	2 892	387	2 892	387
Total (including GST)	4 827	1 833	4 827	1 833

At balance date Forests NSW had operating lease/rental agreements as Lessor totalling \$28 032 000 (2009: \$68 533 000). These agreements relate to occupancy of buildings and land throughout the State. Forests NSW had no other material lease and hire purchase agreements.

	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
Not later than one year	1 429	2 516	1 429	2 516
Later than 1 year and not later than five years	4 542	9 405	4 542	9 405
Later than 5 years	22 061	56 612	22 061	56 612
Total (including GST)	28 032	68 533	28 032	68 533

Notes to the Financial Statements

For the year ended 30 June 2010

25. Business Combinations

On 31st March, 2010 the Group purchased Timber & Carbon Plantations Pty Ltd (formally known as TEPCO Forests Australia Pty Ltd), by acquiring 100 percent of the shares and voting interests in the company.

At the date of acquisition, Timber & Carbon Plantations Pty Ltd was involved in forestry development and plantation, and the production of carbon credits.

Consideration transferred was \$4 577 658 and comprised a cash component of \$4 500 000 plus stamp duty and legal fees on acquisition.

Identifiable assets acquired and liabilities assumed were as follows:

	Acquisition Statement of Financial Position \$ '000	Identifiable Net Assets at Fair Value \$ '000
ASSETS		
Current Assets		
Cash and cash equivalents	546	546
Trade and other receivables	10	10
Inventories	-	-
Biological assets	-	-
Other assets	819	2
Total Current Assets	1 374	557
Non-Current Assets		
Property, plant and equipment	1 988	1 988
Biological assets	14 034	713
Investment assets	-	-
Investments in subsidiaries	-	-
Intangibles	6	-
Total Non-Current Assets	16 029	2 701
TOTAL ASSETS	17 403	3 258
LIABILITIES		
Current Liabilities		
Trade and other payables	4	-
Total Current Liabilities	4	-
TOTAL LIABILITIES	4	-
NET ASSETS	17 399	3 258
EQUITY		
Contributed Equity	34 250	34 250
Retained profits	(16 851)	(30 992)
TOTAL EQUITY	17 399	3 258

The following fair value of the net assets has been determined using professional valuations by reference to independent due diligence work as carried by KPMG Tax Lawyers Pty Limited.

Goodwill

	\$
Total consideration transferred	4 577 658
Fair value of the net identifiable assets	3 258 482
Goodwill upon Acquisition	1 319 176

None of the goodwill recognised is expected to be deductible for income tax purposes.

Transactions separate from the acquisition

The Group incurred acquisition related costs of \$29 900 relating to taxation due diligence costs. These taxation due diligence costs have been included in administrative expenses in the Group's consolidated Statement of Comprehensive Income.

Notes to the Financial Statements

For the year ended 30 June 2010

26. Commitments

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

	2010 \$ '000	2009 \$ '000
Capital		
Establishment of Biological Assets	-	203
Others	3 780	4 908
	3 780	5 111
Operating	4 908	6 393
Total Commitments (a)	8 688	11 504

(a) All commitments are expected to be expended in the next financial year and include input tax credits of \$791 000 (2009: \$742 000)

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

27. Related Parties

The Public Sector Employment & Management (Department of Primary Industries) Order 2004, made on 23 June 2004 established the NSW Department of Primary Industries (DPI), with Forests NSW operating as a self funded division of DPI. The Public Sector Employment and Management (Department Amalgamations) Order 2009 became effective on 1 July 2009. As a result of this Order, Forests NSW was no longer a controlled entity of the former Department of Primary Industries.

Forests NSW's only related parties for trading are Forestry Commission Division, Department of Industry & Investment (DII) and Timber & Carbon Plantations Pty Ltd. The supply and continued use of resources and shared services from DII (2009: DPI) and Forestry Commission Division are based on signed Memorandums of Understanding.

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

Notes	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
DPI	-	106 613	-	106 613
Forestry Commission Division	-	-	28 931	35 016
Total	-	106 613	28 931	141 629

(ii) Statement of Financial Position - Current Assets

Notes	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
Timber & Carbon Plantations Pty Ltd	-	-	671	-
Total	-	-	671	-

(iii) Statement of Financial Position - Current Liabilities

Notes	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
DPI	-	(43 881)	-	(43 881)
Forestry Commission Division	-	-	(4 761)	(3 649)
Superannuation Liability**	18	(4 761)	-	-
Total	(4 761)	(47 530)	(4 761)	(47 530)

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

Notes to the Financial Statements

For the year ended 30 June 2010

(iv) Statement of Financial Position - Non Current Liabilities

Notes	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
DPI	-	(27 263)	-	(27 263)
Forestry Commission Division	-	-	(12 984)	(13 416)
Total	-	(27 263)	(12 984)	(40 679)

Subsidiaries

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

Name	Country of Incorporation	% Equity Interest 2010	% Equity Interest 2009	Investment \$000 2010	Investment \$000 2009
Forestry Commission Division*	Australia	100%	100%	-	-
Timber & Carbon Plantations Pty Ltd	Australia	100%	NA	-	-

* Special purpose entity consolidated under AASB interpretation 112.

Key Management Personnel:

Dr. Richard Shelldrake	Commissioner of the Forestry Commission of NSW
Nick Roberts	Chief Executive Officer, Forests NSW
Sean Hooper	Director - Financial & Operational Business Services, Forests NSW Director - Timber & Carbon Plantations Pty Ltd
Dean Anderson	Director - Marketing Division, Forests NSW Director - Timber & Carbon Plantations Pty Ltd
Della Farthing	Director - People, Learning & Culture, Forests NSW
Ross Dickson	Director - Land Management & Forestry Services, Forests NSW
Ian Brown	Director - Planted Forests Operations, Forests NSW
Erle Robinson	Director - Native Forests Operations, Forests NSW
Rahmat Khaiami	Executive Officer - Forests NSW

	Short-Term Employee Benefits \$'000	Post Employment Benefits \$'000	Other Long Term Benefits \$'000	Termination Benefits \$'000	Share-based payment \$'000	Total \$'000
30 June 2010 Total Compensation	1 749					1 749
30 June 2009 Total Compensation	1 714					1 714

The Commissioner for Forests NSW receives remuneration for services rendered to Forests NSW of \$10,000 p.a. All transactions by Forests NSW with key management personnel are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions.

There are no outstanding balances relating to any key management personnel and no guarantees provided or received as well by the key management personnel. For the year ended 30 June 2010, Forests NSW has not raised any provision for doubtful debts relating to amounts owed by key management personnel (2009 nil).

Notes to the Financial Statements

For the year ended 30 June 2010

28. Auditors' Remuneration

	Economic Entity 2010 \$ '000	Economic Entity 2009 \$ '000	Statutory Corporation 2010 \$ '000	Statutory Corporation 2009 \$ '000
Audit Office of NSW - Audit of financial statements	366	431	366	431

29. Contingent liabilities/Assets

During the 2009/2010 year, 45 982 hectares (2008/09, 195 hectares) of operational timber reserves were subject to claims under the Native Title Act. The impact of these claims cannot be quantified at this time.

As at Statement of Financial Position date, Forests NSW has potential public liability insurance claims limited to \$207 932 (2009 \$321 963), being the net excess on its current public insurance liability policy at the date of the relevant claims.

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

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

As at Statement of Financial Position date, Forests NSW has no contingent assets.

30. Consultants

Forests NSW engaged consultants to undertake activities, which require specialist or independent skills. In 2010 the total cost for consultants was \$398 072 (2009: \$1 614 231).

31. After balance date events

There are no known after balance date events (2009: None)

End of Audited Financial Statements

Statement by Commissioner

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

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

In my opinion, the accompanying financial statements present a true and fair view of the financial position of the economic entity and statutory corporation of the Forestry Commission of New South Wales (trading as Forests NSW) as at 30 June 2010 and the results of their operations and transactions for the year then ended.

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

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



Dr. Richard Sheldrake

Commissioner for the Forestry Commission of New South Wales

Dated this 13th day of October, 2010



INDEPENDENT AUDITOR'S REPORT

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

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Forestry Commission of New South Wales (the Commission), which comprises the statements of financial position as at 30 June 2010, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes for Forests NSW and its economic entities. The Economic Entity comprises the Commission and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Commission and the economic entity as at 30 June 2010, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- 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.

The Commissioner's Responsibility for the Financial Statements

The Commissioner is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial 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 controls relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal controls.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Commissioner, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

- about the future viability of the Commission or the economic entity
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

Peter Barnes
Director, Financial Audit Services
18 October 2010
SYDNEY

Statement of Comprehensive Income

For the year ended 30 June 2010

	Notes	2010 \$ '000	2009 \$ '000
Revenue			
Personnel Services	5	28 931	35 016
Total Revenue		28 931	35 016
Expenses			
Wages		21 387	19 971
Superannuation		1 031	1 004
Annual and long service leave		3 305	4 745
Payroll tax		1 403	1 263
Workers compensation		(520)	1 082
Fringe Benefits Tax		8	20
Total expenses		26 615	28 085
Surplus for the year		2 316	6 931
Other Comprehensive Income			
Defined benefit plan actuarial gains/(losses)		(2 316)	(6 931)
Total Other Comprehensive Income		(2 316)	(6 931)
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 2010

	Notes	2010 \$ '000	2009 \$ '000
ASSETS			
Current Assets			
Receivables	5	17 744	17 065
Total Current Assets		17 744	17 065
TOTAL ASSETS		17 744	17 065
LIABILITIES			
Current Liabilities			
Provisions	4	12 823	13 256
Superannuation Liability	3	4 761	3 649
Total Current Liabilities		17 584	16 905
Non-Current Liabilities			
Provisions	4	160	160
Total Non-Current Liabilities		160	160
TOTAL LIABILITIES		17 744	17 065
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 2010

	Notes	2010 \$ '000	2009 \$ '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 2010

	Notes	Retained Surplus \$ '000	Total Equity \$ '000
Balance as at 1 July 2008		-	-
Total comprehensive income for the year			
<i>Surplus/(deficit)</i>		6 931	6 931
<i>Other comprehensive income</i>			
Defined benefit plan actuarial gains/ (losses)	3	(6 931)	(6 931)
Total Other comprehensive income		(6 931)	(6 931)
Total comprehensive income for the year		-	-
<i>Transactions with owners, recorded directly in equity</i>			
Transactions with owners in their capacity as owners		-	-
Total transactions with owners		-	-
Balance as at 30 June 2009		-	-
Balance as at 1 July 2009		-	-
Total comprehensive income for the year			
<i>Surplus/(deficit)</i>		2 316	2 316
Other comprehensive income			
Defined benefit plan actuarial gains/ (losses)	3	(2 316)	(2 316)
Total Other comprehensive income		(2 316)	(2 316)
Total comprehensive income for the year		-	-
<i>Transactions with owners, recorded directly in equity</i>			
Transactions with owners in their capacity as owners		-	-
Total transactions with owners		-	-
Balance as at 30 June 2010		-	-

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 2010

1. Corporate Information

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

Forestry Commission Division's objective is to provide personnel services to Forests NSW.

Personnel Service provided to Forests NSW is 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* of Forests NSW.

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

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 2010 has been authorised for issue by the Director-General of the Department of Industry and Investment, Dr. Richard Sheldrake, on 13 October 2010.

(b) Basis of Preparation

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 is 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 substituted. A short-term payable with no stated interest rate is measured at historical cost if the effect of discounting is immaterial.

(g) Employee Benefits provisions and expenses

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

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

Notes to the Financial Statements

For the year ended 30 June 2010

equal to the market yield on government bonds in accordance with AASB 119 Employee Benefits.

Long Service leave liability was actuarially assessed as at 30 June 2010. 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 on government bonds of similar maturity to those obligations. Actuarial assumptions are unbiased and mutually compatible and financial assumptions are based on market expectations for the period over which the obligations are to be settled.

(h) Adoption of new and revised Accounting Standards.

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

Early adoption of new or revised Accounting Standards/Interpretation.

The following Australian Accounting Standards, amendments to Australian Accounting Standards and Interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30th June 2010, but have not been applied in preparing these financial statements and have been mandated by NSW Treasury not to adopt early. The following Australian Accounting Standards, amendments to Australian Accounting Standards and Interpretations, which become mandatory in future financial years, are not expected to have a significant impact on the financial statements:

- AASB 9 and AASB 2009-11 regarding financial instruments (effective 1 July 2013)
- AASB 2009-5 regarding annual improvements (effective 1 July 2010)
- AASB 2009-9 regarding first time adoption (effective 1 July 2010)
- AASB 2009-10 regarding classification of rights (effective 1 July 2010)

- AASB 124 and AASB 2009-12 regarding related party transactions (effective 1 July 2011)
- AASB 2009-14 regarding prepayments of a minimum funding requirement (effective 1 July 2011)
- AASB 2010-1 regarding AASB 7 comparatives for first time adopters (effective 1 July 2010)

Notes to the Financial Statements

For the year ended 30 June 2010

3. Employee Defined Benefits

Fund information

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

State Authorities Superannuation Scheme (SASS)

State Superannuation Scheme (SSS)

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

	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 Financial Year to 30 June 2010 A\$
Present value of partly funded defined benefit obligation at beginning of the year	36 864 865	4 052 446	0	40 917 311
Current service cost	728 496	191 734	0	920 230
Interest cost	1 991 676	217 076	0	2 208 752
Contributions by Fund participants	517 294	0	0	517 294
Actuarial (gains)/losses	1 672 112	253 617	0	1 925 728
Benefits paid	(3 808 683)	(583 469)	0	(4 392 152)
Past service cost	0	0	0	0
Curtailments	0	0	0	0
Settlements	0	0	0	0
Business Combinations	0	0	0	0
Exchange rate changes	0	0	0	0
Present value of partly funded defined benefit obligation at end of the year	37 965 760	4 131 404	0	42 097 164

Reconciliation of the fair value of Fund assets

	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 Financial Year to 30 June 2010 A\$
Fair value of Fund assets at beginning of the year	33 581 561	3 686 949	0	37 268 510
Expected return on Fund assets	2 822 904	311 567	0	3 134 472
Actuarial gains/(losses)	(405 585)	15 070	0	(390 516)
Employer contributions	989 766	208 514	0	1 198 280
Contributions by Fund participants	517 294	0	0	517 294
Benefits paid	(3 808 683)	(583 469)	0	(4 392 152)
Settlements	0	0	0	0
Business combinations	0	0	0	0
Exchange rate changes	0	0	0	0
Fair value of Fund assets at end of the year	33 697 257	3 638 632	0	37 335 888

Notes to the Financial Statements

For the year ended 30 June 2010

Reconciliation of the assets and liabilities recognised in the Statement of Financial Position

	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 Financial Year to 30 June 2010 A\$
Present value of partly funded defined benefit obligation at end of year	37 965 760	4 131 404	0	42 097 164
Fair value of Fund assets at end of year	(33 697 257)	(3 638 632)	0	(37 335 888)
Subtotal	4 268 503	492 772	0	4 761 276
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	4 268 503	492 772	0	4 761 276

Expense recognised in the Statement of Comprehensive Income

Components Recognised in the Statement of Comprehensive Income	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 Financial Year to 30 June 2010 A\$
Current service cost	728 496	191 734	0	920 230
Interest cost	1 991 676	217 076	0	2 208 752
Expected return on Fund assets (net of expenses)	(2 822 904)	(311 567)	0	(3 134 472)
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	(102 732)	97 243	0	(5 489)

Amounts recognised in other comprehensive income

	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 Financial Year to 30 June 2010 A\$
Actuarial (gains)/losses	2 077 697	238 547	0	2 316 244
Adjustment for limit on net asset	0	0	0	0

Cumulative amount recognised in other comprehensive income

	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 Financial Year to 30 June 2010 A\$
Actuarial (gains)/losses	11 921 334	1 839 506	6 398 313	20 159 153
Adjustment for limit on net asset	0	0	0	0

Notes to the Financial Statements

For the year ended 30 June 2010

Fund assets

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

	30-Jun-10
Australian equities	31.0%
Overseas equities	26.8%
Australian fixed interest securities	6.1%
Overseas fixed interest securities	4.3%
Property	9.5%
Cash	9.6%
Other	12.7%

Fair value of Fund assets

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

Expected rate of return on assets

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

Actual Return on Fund Assets

	SASS Financial Year to 30 June 2010 A\$	SANCS Financial Year to 30 June 2010 A\$	SSS Financial Year to 30 June 2010 A\$	TOTAL Financial Year to 30 June 2010 A\$
Actual return on Fund assets	3 107 019	326 637	0	3 433 656

Valuation method and principal actuarial assumptions at the Statement of Financial Position date

a) Valuation Method

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

b) Economic Assumptions

	30-Jun-10
Salary increase rate (excluding promotional increases)	3.5% pa
Rate of CPI Increase	2.5% pa
Expected rate of return on assets	8.60%
Discount rate	5.17% pa

c) Demographic Assumptions

The demographic assumptions at 30 June 2010 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 2010

Historical information

	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 Financial Year to 30 June 2010 A\$
Present value of defined benefit obligation	37 965 760	4 131 404	0	42 097 164
Fair value of Fund assets	(33 697 257)	(3 638 632)	0	(37 335 888)
(Surplus)/Deficit in Fund	4 268 503	492 772	0	4 761 276
Experience adjustments – Fund liabilities	1 672 112	253 617	0	1 925 728
Experience adjustments – Fund assets	405 585	(15 070)	0	390 516

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2010

Expected contributions

	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 Financial Year to 30 June 2010 A\$
Expected employer contributions to be paid in the next reporting year	982 859	215 558	0	1 198 416

Funding Arrangements for Employer Contributions

(a) Surplus/deficit

"Financial Reporting by Superannuation Plans":

	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 Financial Year to 30 June 2010 A\$
Accrued benefits	34 205 847	3 725 130	0	37 930 978
Net market value of Fund assets	(33 697 257)	(3 638 632)	0	(37 335 888)
Net (surplus)/deficit	508 591	86 499	0	595 090

(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 2010 actuarial review of the Fund are:

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

Nature of Asset/Liability

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

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

Notes to the Financial Statements

For the year ended 30 June 2010

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

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

Reconciliation of the fair value of Fund assets

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

Notes to the Financial Statements

For the year ended 30 June 2010

Reconciliation of the assets and liabilities recognised in the Statement of Financial Position

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

Expense recognised in Statement of Comprehensive Income

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

Amounts recognised in other comprehensive income

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

Cumulative amount recognised in other comprehensive income

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

Notes to the Financial Statements

For the year ended 30 June 2010

Fund assets

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

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

Fair value of Fund assets

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

Expected rate of return on assets

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

Actual Return on Fund Assets

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

Valuation method and principal actuarial assumptions at the balance sheet date

a) Valuation Method

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

b) Economic Assumptions

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

c) Demographic Assumptions

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

Historical information

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

Notes to the Financial Statements

For the year ended 30 June 2010

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

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

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

Expected contributions

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

Funding Arrangements for Employer Contributions

(a) Surplus/deficit

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

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

Notes to the Financial Statements

For the year ended 30 June 2010

(b) Contribution recommendations

Recommended contribution rates for the entity are:

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

(c) Funding method

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

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

(d) Economic assumptions

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

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

Nature of Asset/Liability

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

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

4. Provisions

	2010 \$ '000	2009 \$ '000
Current Liabilities		
Accrued Wages	932	875
Payroll Tax	70	215
Leave Entitlements	11 727	11 535
Fringe Benefits Tax	5	13
Redundancy	90	618
Total Current Liabilities	12 823	13 256
Non-Current Liabilities		
Leave Entitlements	160	160
Total Non-Current Liabilities	160	160
Total Provisions	12 983	13 416

Notes to the Financial Statements

For the year ended 30 June 2010

5. Related Party Transactions

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

	2010 \$ '000	2009 \$ '000
Supply of Personnel Services to Forests NSW	28 931	35 016
Total	28 931	35 016

(ii) Statement of Financial Position - Current assets

	2010 \$ '000	2009 \$ '000
Forests NSW for defined benefits superannuation	4 761	3 649
Forests NSW for employee entitlements	12 983	13 416
Total	17 744	17 065

6. After Balance Date Events

There are no known after balance date events (2009: None)

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 Forests NSW.

8. Commitments

There are no known commitments (2009: None)

9. Contingent Assets/liabilities

There are no known contingent assets or liabilities (2009: None)

End of Audited Financial Statements

Statement by Director-General

(as Division Head under Public Sector Employment and Management (Departmental Amalgamation) Order 2009)

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 2010.

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

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



Dr. Richard Sheldrake

Director-General of the Department of Industry and Investment

Dated this 13th day of October, 2010



GPO BOX 12 Sydney NSW 2001

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 comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Division as at 30 June 2010, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- 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.

The Director-General's Responsibility for the Financial Statements

The Director-General is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

My opinion does *not* provide assurance:

- about the future viability of the Division
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

Peter Barnes
Director, Financial Audit Services
18 October 2010
SYDNEY

Statutory information

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Chief Executive's performance

Name: Nick Roberts

Position & Level: Chief Executive Forests NSW
SES Level 6

Remuneration: \$327 800

Period in Position: 1 July 2009 to 30 June 2010

Mr Roberts is accountable to me for performing all the functions of the Chief Executive Officer under the *Forestry Act 1916* and for implementing government policy.

I am satisfied that Mr Roberts has met the performance criteria established for the position. Key tasks have been undertaken to achieve operational requirements and leadership has been provided to deliver outcomes consistent with government policy.

A comprehensive list of achievements over the last 12 months is included on page 9 of this report.



Richard Shel Drake
Director-General
Industry & Investment NSW
Commissioner for Forests

Consultants

\$50 000 or more		
Ecosurveys Pty Ltd	Pre-harvest surveys	64 725.00
		\$64 725.00
\$50 000 or less		
During the year there were 32 consultancies of less than \$50 000		
Engineering		21 441.97
Environmental		135 665.17
Management services		55 724.35
Human resources / safety / recruitment		79 297.09
Financial accounting		40 500.00
		\$332 628.58
Total		\$397 353.58

Credit card certification

Subject to meeting Forests NSW requirements, eligible staff are issued with corporate credit cards to facilitate travel, accommodation and limited purchases.

Forests NSW monitors use of these cards on a monthly basis. Business Service Centres process all payments and the Chief Executive Officer or relevant senior manager approves all expenses associated with card use.

Credit card use in Forests NSW has been in accordance with the Premier's Memoranda and Treasurer's Directions.

Table 1. Trends in the representation of EEO groups in percentage

	Benchmark or Target	2007	2008	2009	2010
Women	50%	18%	17%	20%	17%
Aboriginal people and Torres Strait Islanders	2.6%	7.5%	7.6%	8%	8.2%
People whose first language was not English	19%	2%	3%	2%	3%
People with a disability	12%	14%	15%	16%	15%
People with a disability requiring work-related adjustment	7%	-	-	-	3.1%

Customer and community liaison

As a commercial operator, Forests NSW aims to provide a level of service that will generate ongoing business with current and future customers while taking into consideration community expectations and concerns.

Individuals, customers, special interest and community groups may make representations on policy and other issues at any time. Comment is specifically invited on the provision of forest management plans and may be invited from time to time on specific issues, such as policy development or recreation use in State forests.

Forests NSW has in place a Good Neighbour Policy which can be found on our website. This outlines our commitment to developing and maintaining good relationships with our neighbours.

Forest operations and the public's use of the forests sometimes lead to complaints by some stakeholders. Forests NSW has received representations from the community surrounding neighbour, environmental and customer issues and concerns. These are detailed in Indicator 2 (b) Public Participation.

If a customer or member of the public is not satisfied with the service we provide or has a complaint about forest operations, the issue should be addressed to the local regional office. Office locations can be found on page 50 of this report.

Forests NSW adopted I&I NSW procedure for handling customer service complaints that cannot be resolved through normal complaint handling processes with frontline staff.

Information on Complaint Handling is available on the I&I NSW website.

Equal Employment Opportunity

Forests NSW values equity and diversity and works to contribute to the principles and goals of:

- a workplace culture displaying fair practices and behaviours; and
- enhanced employment access and participation for Equal Employment Opportunity groups.

Women's Employment Strategy

Forests NSW is represented on I&I NSW Women's Consultative Group which was formed following the release of the I&I NSW Women's Employment Strategy 2009-12. Forests NSW has developed a Women's Employment Action Plan which aims to support the Strategy by ensuring that the potential of women are realised and that they are recognised as key contributors in the workplace. In 2009-10, two women participated in the Supervisor Development Program, one woman participated in the Management Development Course and four women participated in the Leadership Course.

Aboriginal Employment Strategy

Forests NSW has worked to further develop its Aboriginal Employment Strategy. One major initiative has been a partnership with the Aboriginal Employment Service, which assisted with recruitment of two Indigenous trainees to undertake a two-year traineeship, with Forests NSW as host employer to provide ongoing mentoring. The trainees are based in Grafton and work in native and plantation forests on a rotation basis. Their work with Forests NSW is supplemented by TAFE study.

Table 2. Trends in the distribution of EEO target groups

	Benchmark or Target	2007	2008	2009	2010
Women	100	103	110	111	111
Aboriginal people and Torres Strait Islanders	100	71	68	71	71
People whose first language was not English	100	132	125	N/A	124
People with a disability	100	84	79	78	78
People with a disability requiring work-related adjustment	100	-	-	-	86

Notes:

1. Staff numbers are as at 30 June.
2. Excludes casual staff
3. A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The Distribution Index is automatically calculated by the software provided by ODEOPE.
4. The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.

Financial information

Liability management performance

Clause 13(1) of the Annual Reports (Statutory Bodies) Regulation 1995 is not applicable to Forests NSW as the level of debt servicing costs as at 30 June 2010 is below the limit determined by the Treasurer.

Investment management performance

Forests NSW received interest on cash investments in 2009–10 of \$805 008 (2008–09: \$1 080 789). An amount of \$246 596 (2008–09: \$777 478) was received from Treasury Corporation on amounts lodged on their 24-hour call facility. An amount of \$553 979 (2008–09: \$303 311) was received from Commonwealth Bank of Australia and an amount of \$4 232 (2008–09: \$0) was received from Mizuho Corporate Bank on amounts held in our cheque accounts with those financial institutions.

Subsidiary companies

As at 30 June 2010, Forests NSW had dominant control over one wholly

owned subsidiary, Timber and Carbon Plantations Pty Ltd.

Under Schedule 3 of the *Public Sector Employment Management Act*, Forests NSW administers and has dominant control of the Forestry Commission Division.

Grants to non-government community organisations

Forests NSW did not make any grants to non-Government community organisations during 2009–10.

Payment of accounts

The schedules below show aged analysis of accounts payable and payment performance for each quarter of 2009–10.

Forests NSW has in place financial procedures which ensure that accounts are paid within the statutory requirements.

No interest has been paid under Section 15 of the Public Finance and Audit Regulation 2005.

Aged analysis

Quarter	Current (within due date) \$	Less than 30 days overdue \$	Between 30 and 60 days overdue \$	Between 60 and 90 days overdue \$	More than 90 days overdue \$
September	58 685 645	8 477 656	1 835 371	183 220	247 927
December	43 321 280	7 081 422	465 599	65 358	128 841
March	44 650 890	8 801 553	635 864	111 574	104 782
June	34 813 149	9 504 403	1 561 361	162 774	174 369

Accounts paid on time

Quarter	Target %	Actual %	Actual \$	Total amount paid \$
September	90.00%	94.69%	67 163 302	69 429 820
December	90.00%	93.31%	50 402 702	51 062 501
March	90.00%	92.15%	53 452 443	54 304 664
June	90.00%	89.74%	44 317 553	46 216 057

Freedom of Information

Forests NSW satisfied the requirements of the *Freedom of Information (FOI) Act* in 2009–10 in that a Summary of Affairs was published in the New South Wales Government Gazette (six monthly basis) and an annual Statement of Affairs was available to members of the public in our offices throughout the State.

The number of applications received in 2009–10 (10) was two more than in the previous year. No applications were brought forward. Four applications were granted in full. No applications were carried forward.

No internal review requests were received.

Total time devoted to processing FOI applications was at least 140 hours. Fees received totalled \$1 965. There were two requests for reduction of fees, which were granted.

Forests NSW successfully defended a review application brought before the Administrative Decisions Tribunal challenging a decision by Forest NSW FOI Coordinator.

	Personal		Other		Total	
	08-09	09-10	08-09	09-10	08-09	09-10
FOI Requests	-	-	8	10	8	10
Brought forward	-	-	3	-	3	-
Completed	-	-	11	9	11	9
Transferred	-	-	-	-	-	-
Withdrawn	-	-	1	-	1	-
Unfinished	-	-	-	-	-	-
No response from applicant	-	-	1	1	1	1
Granted in full	-	-	8	4	8	4
Granted in part	-	-	-	3	-	3
No records found	-	-	1	2	1	2
Refused	-	-	-	-	-	-
Deferred	-	-	-	-	-	-
Requiring formal consultation	-	-	-	2	-	2
Discounts allowed	-	-	1	2	1	2
Completed in 0-21 days	-	-	3	3	3	3
22 to 35 days	-	-	2	2	2	2
Over 35 days	-	-	4	5	4	5
Processing hours						
0 -10 hours	-	-	8	8	8	8
10 - 20 hours	-	-	1	-	1	-
Over 20 hours	-	-	-	2	-	2
Internal Reviews requested	-	-	1	-	1	-
Internal Reviews finalised	-	-	1	-	1	-
No. of Ombudsman's Reviews	-	-	-	-	-	-

Human resources

As at 30 June 2010, Forests NSW employed a total of 839 employees. This figure comprised 416 public servant employees involved in management, administration and technical roles, and 423 Forestry Commission Division employees primarily engaged in timber marketing, mechanical trades, road construction and maintenance, tree planting and pruning, nursery work, forest conservation and fire protection.

Year ended 30 June	Public servants	Forestry Commission Division employees	Total
2006	538	531	1 069
2007	539	506	1 045
2008	470	473	943
2009	446	442	888
2010	416	423	839

Structural adjustment

Forests NSW has continued its review of its public servant workforce and internal organisational structures. The most significant review was the Native Forests Operations (NFO) Business Refocus which was undertaken to implement changes to address financial losses and to re-engineer business processes. With respect to Forests NSW public servants, the NFO realignment was largely completed during the year. Forests NSW also completed a number of other minor realignments in consultation with the Public Service Association (PSA).

Salary and wage movement

In July 2009, Forests NSW public servants were granted the second of three 4 per cent salary increases, based partially upon employee related cost savings, and in accordance with the NSW Government's public sector pay agreement and a 2008 Memorandum of Understanding with the PSA. The third and final pay increase will be paid in July 2010. Human resources policies and practices continued to be determined by the Public Sector Workforce of the NSW Department of Premier and Cabinet and I&I NSW.

During 2009–10 Forests NSW had extensive negotiations with the Australian Workers' Union (AWU) and Australian Manufacturers Workers' Union (AMWU), NSW Branch, to work towards a new award; and a new classification and grading structure for Forestry Commission Division employees (fieldstaff and workshop employees). The AWU sought a 2.5 per cent pay increase based upon no employee related savings and the existing award was varied in May 2010 to give effect to the pay adjustment, operable from July 2009.

Training and organisational development

This year 16 managers were nominated by the Senior Management Team to participate in the Leadership Program which aimed to prepare them for more senior leadership roles in the future. Participants engaged in eight intensive days of facilitated learning combined with individual coaching and project teamwork. The project teams undertook corporate business projects and presented their recommendations back to the Senior Management Team. Several of these initiatives are being adopted by the business.

The training of authorised officers has been rolled out across the business which ensures all officers authorised to manage the public's use of State forests have the required understanding of legislation and can act with confidence, ensuring Forests NSW staff are equipped to appropriately manage public recreational use of State forests.

Twenty four fieldworker employees signed on to undertake a Certificate IV in Forest Operations as existing worker trainees. Funding has been provided by the Federal Government's Productivity Places Program. Currently those enrolled are completing units with the Riverina Institute of TAFE.

Forests NSW continues to demonstrate industry best practice by focusing on regular upskilling and reassessment of core technical skills against units of national competence. This ensures that workers using technical equipment are refreshed in their skills every three years and minimises the risks associated with the use.

Forests NSW continues to proactively invest in the development of managers and staff through a range of developmental programs identified through performance review processes. Support for development programs identified by these reviews further strengthens our investment in our professional capital.

A number of corporate training courses were conducted in the areas of safety, operations, business and fire.

Percent of total staff by employment basis

Subgroup as percentage of total staff in each category. Subgroup as estimated percent of total staff in each employment category.

Employment basis	Total staff (Number)	Respondents	Men	Women	Aboriginal people & Torres Strait Islanders	People from racial, ethnic, ethno-religious minority groups	People whose language first spoken as a child was not English	People with a disability	People with a disability requiring work-related adjustment
Permanent Full-time	744	37%	85%	15%	6.9%	10%	3%	13%	2.5%
Permanent Part-time	24	33%	4%	96%		13%		13%	12.5%
Temporary Full-time	31	10%	84%	16%					
Temporary Part-time									
Contract - SES									
Contract - Non SES									
Training Positions	6		100%						
Retained Staff									
Casual	106	5%	69%	31%			20%		
TOTAL	911	32%	81%	19%	5.6%	9%	5%	11%	2.4%
Estimate Range (95% confidence level)					3.6% to 7.6%	6.2% to 11.0%	1.1% to 9.7%	8.5% to 13.9%	1.1% to 3.7%

Number of total staff by salary level

Level	Total staff	Respondents	Men	Women	Aboriginal people & Torres Strait Islanders	People from racial, ethnic, ethno-religious minority groups	People whose language first spoken as a child was not English	People with a disability	People with a disability requiring work-related adjustment
< \$38,144	35	6	25	10	0	0	0	1	1
\$38,144 - \$50,099	243	55	223	20	7	4	1	12	1
\$50,100 - \$56,008	134	44	126	8	9	0	0	12	1
\$56,009 - \$70,873	105	42	65	40	2	2	1	3	2
\$70,874 - \$91,652	157	65	108	49	1	12	4	5	2
\$91,653 - \$114,566	96	55	86	10	0	11	3	4	1
> \$114,566 (non SES)	35	21	32	3	0	0	0	1	0
> \$114,566 (SES)		0	0	0	0	0	0	0	0
TOTAL	805	288	665	140	19	29	9	38	8

The statistical data is based on the Workforce Profile Report and consists of regular voluntary collection of anonymous data on the characteristics of NSW public sector employment and includes data on job characteristics (such as employment category, remuneration and leave); individual characteristics (such as gender and age) and the change (or movement) in these characteristics.

The figures for women are a correct representation whilst that for other diversity groups is an extrapolation calculated using the figures available.

Numbers and Levels of SES Staff as at 30/6/10 (same as previous year 30/6/09)									
SES Level		2	3	4	5	6	7	8	Total
Total		0	5	0	0	1	0	0	6

Numbers and Levels of Female SES Staff as at 30/6/10 (same as previous year 30/6/09)									
SES Level		2	3	4	5	6	7	8	Total
Total		0	0	0	0	0	0	0	0

Internal audit and risk management policy

Forests NSW complies with I&I NSW comprehensive policies and guidelines on internal audit and risk management. I&I NSW has finalised an Enterprise Risk Management Framework in accordance with NSW Treasury *Internal Audit and Risk Management Policy* for the NSW Public Sector (TPP 09-5) and Australian/New Zealand Standard Risk Management - principles and guidelines (AS/NZS 4360: 2004 *Risk Management*)

Internal Audit and Risk Management Attestation for the 2009-2010 Financial Year for the Forestry Commission, trading as Forests NSW

I, Nick Roberts am of the opinion that the Forestry Commission of New South Wales, trading as Forests NSW 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 Forests NSW to understand, manage and satisfactorily control risk exposures.

I, Nick Roberts am of the opinion that the Audit and Risk Committee for the Department of Industry and Investment, of which Forests NSW is a division, 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 Committee are:

- Independent Chair Dr Elizabeth Coombs, (appointed for 3 years)
- Independent Member Mr Ian Neale, (appointed for 3 years)
- Non-independent Member Mr Nick Roberts, (appointed for 3 years)

I, Nick Roberts declare that this Internal Audit and Risk Management Attestation is made on behalf of the following controlled entity:

- Forestry Commission Division
- Timber & Carbon Plantations Pty Ltd



Nick Roberts

Chief Executive Officer
Forests NSW
Deputy Director-General
Industry & Investment NSW

Audit and Risk Management functions are undertaken for Forests NSW by RSM Bird Cameron who have been appointed as Internal Auditors of I&I NSW. RSM Bird Cameron conducted internal audits and reviews into Forests NSW systems, processes and activities to assess the adequacy of internal controls. To ensure maximum independence, RSM Bird Cameron reports to the I&I NSW Audit and Risk Committee and has access to the Chief Executive Officer as required.

The audits and reviews conducted during the year covered light vehicle fleet management, forest contractor arrangements, timber sales management, building facilities management. Protected disclosure functions are now managed by I&I NSW.

Forests NSW has a risk matrix in place which is incorporated into I&I NSW corporate risk management framework. This outlines the nature of the risk, potential causes, impacts and mitigation strategies. The Risk Register also allows for a prioritisation of internal audits. More information on Forests NSW management of risks can be found in the Risk Management and Insurance section of this report.

Risk management and insurance

Risk management

As part of its risk management processes, Forests NSW has identified a number of internal and external risks and assessed their impact on performance. Where possible, strategies are in place to alleviate risks to the organisation. Some of the risks include:

External – significant decline in housing and construction markets

Assessment: medium, declining probability

The main influence on demand for Forests NSW hardwood and softwood sawlogs is activity in the residential building market, which includes both new dwellings, and alterations and additions. Activity in these markets tends to follow distinct cycles of 4–5 years between peaks and troughs.

Dwelling construction markets rebounded during the last quarter of 2009 from the effects of the global financial crisis which saw a sharp downturn in the construction market. Recent statistical data indicates that dwelling construction activity will remain solid but stable in 2010 in response to record dwelling stock deficiency and a stronger than expected economy.

External – changes in government policy

Assessment: low probability / high impact (native Forests), low impact (plantations)

Apart from the South-West Cypress assessment, which is not yet complete, there are no other major forest resource reviews expected by the NSW Government. It is not expected that completion of the South-West Cypress assessment will impact substantially on timber supply.

A review of the outcome of the NSW Government Riverina Red Gum assessment by the Commonwealth Government, in relation to the Ramsar-listed State forests, is expected mid-2010. There is some uncertainty about the impact of this review but it is not expected that it will impact substantially on timber.

External – requirements of regulatory bodies

Assessment: low probability / moderate impact

The Review of the coastal Forest Agreements and Integrated Forestry Operations Approvals (IFOA) are not yet complete but proposed amendments are not likely to result in additional regulatory requirements.

The Brigalow-Nandewar IFOA has not yet been approved but the impact of this new regulatory instrument is already known and has been taken into account in business planning.

There is some uncertainty about the impact of regulatory requirements currently being negotiated for the Riverina State Forests IFOA and the forthcoming South-West Cypress IFOA but they are likely to be within the range that has been adopted in planning.

External – global competitive pressures

Assessment: moderate probability / moderate impact

Changes to the ownership composition of the Australian softwood processors have the potential to reduce the flow of imports, particularly from New Zealand. Traditionally large importers of New Zealand radiata now control substantial processing capacity within the domestic market. This has reduced their propensity to target the Australian market as a destination for excess New Zealand sawn timber. Other import sources (such as Europe), however, have increased their market share and do not have the links described above, and as a result will continue to target imports into Australia.

Due to lower wood density, some overseas softwood timber (New Zealand and Chile) is not ideally suited to the structural end uses in the Australian market. However, other sources of imported material competing in key timber product segments, such as increased flow of

European softwood structural timber, has impacted on both price and volume in the domestic market.

Overall, Forests NSW remains well positioned to retain its position in the local Australian market. The increasing volume of softwood sawlogs being processed in Australia will assist Australia's ability to compete by increasing production efficiencies and achieving economies of scale (production and logistics).

External – collapse of a major customer

Assessment: low probability / high impact (plantation softwood), medium probability / moderate impact (native forests)

While collection history is good, increased exposure arising from the progressive introduction of delivered sales has made tight procedures even more important.

Forests NSW has revised its Credit Policy and Procedures to improve consistency of customer treatment and response to delayed payment of invoices.

Softwood customers

The internationalisation of ownership in the NSW softwood industry over recent years has seemingly guaranteed that collapse of one of the major processors is unlikely. The global owners of these facilities have huge financial resources and should be able to survive the worst of the forest sector cycles.

At the next level, Forests NSW, through its updated credit policy and improved financial management, is vigilant in maintaining required levels of security (from partially secured, to fully secured, to pay in advance and utilising Bank Guarantees etc) and constant monitoring of customers' accounts, Forests NSW exposure, financial health and a company's creditworthiness.

As the move to Delivered Sales is now completed, Forests NSW exposure has increased and the above measures receive even more attention as a result.

Hardwood customers

In the hardwood sector, approximately half of Forests NSW exposure lies with one major customer where we see little risk. This customer is a large national building products company with its hardwood timber production dominated by high value-adding activity. The other customers are small to medium sawmilling operations which, since the implementation of the Government's 1996 Forest Policy Statement, have been in the process of increasing their output of higher value-added hardwood timber products.

The hardwood sector is better insulated from the volatility in timber demand faced by softwood producers due to its lesser reliance on the residential housing construction market.

GENERAL RISKS

Natural disaster

Assessment: Low probability / high impact (Softwoods), low impact (Native Forests)

The most serious risk to Forests NSW estate arises from fire, pests, diseases, wind and snow storms. While overall risk from fire, pests and diseases are considered relatively low based on historical context, effective protection plans and resources are in place to protect this substantial resource as outlined below

Fire

Forests NSW Operational Divisions maintain high levels of planning, preparedness and suppression capacity. Detection is provided through a fire tower network, integrated communications, technical applications such as a lighting strike display system and use of satellite infrared

imagery. This is supported by well-trained staff available for immediate deployment utilising a heavy and light tanker fleet, including support through use of a fleet of earth moving heavy machinery and contract aircraft, including Forests NSW own helicopter.

Outside of fire season fuel loads in the forests are maintained through prescribed burning or grazing and maintaining the network of roads and fire trails essential for fire management.

As Forests NSW adjusts operational structure to reflect the business there have been subsequent changes to supplement the firefighting resource to be able to maintain adequate levels of protection capability. This supplementation includes more integrated participation with other fire agencies, use of casual labour and use of improving technology.

In 2009–10, widespread rainfall during summer months greatly reduced the number and severity of wildfires. The autumn months provided suitable conditions for hazard reduction and much of the backlog of planned burns, not able to be conducted due to ongoing dry conditions, was achieved.

Pests and diseases

The Planted Forests Branch utilises internationally accepted techniques for survey and detection of pests and diseases in the plantation estate. These surveys are carried out on an annual basis and are followed by a comprehensive report, which outlines findings and recommends courses of action.

Timely thinning of plantation stands maintains plantation trees in a healthy condition averting susceptibility to insect and pathogen attack compared with stands experiencing excessive competition or stress.

Storm damage

This is largely beyond our control and is part of the plantation business worldwide. Thinning programs are designed to reduce susceptibility to wind-throw damage. Forests NSW has the capacity to salvage wind and storm damaged plantations, quickly followed by establishment of new forest.

Flood damage

This is largely beyond our control. Extreme storm conditions with resulting flooding do cause damage to roads and limit productive harvesting capacity, mainly in coastal regions.

FINANCIAL RISKS

Loss of liquidity

Assessment: Increasing probability / high impact

The forecast financial position is heavily reliant on attainment of sales targets and minimum capital expenditure spending. Financial analyses undertaken in conjunction with NSW Treasury indicate that Forests NSW should continue to have the capacity to service its debt and retain its existing credit rating.

Insurance

Forests NSW continued to maintain extensive insurance coverage. These policies are sourced from the local and global insurance markets at competitive rates. Presently Forests NSW has in place many specific policies with relevant underwriters substantially covering various risk exposures, including General Liability, Motor Vehicle, Industrial Special Risks, Aviation and Hull Liability, Hanger keeper's Liability, Personal Accident, Burglary, Marine Cargo and Professional Indemnity.

In addition to the externally provided insurable risk coverage, Forests NSW is licensed by NSW WorkCover to be self-insured for Workers Compensation purposes. During the year Forests NSW was advised that all of their public servant employees must be separately insured for Workers' Compensation purposes and separate cover was arranged through an external underwriter. As required, Forests NSW also holds a workers' compensation excess policy providing coverage in the event abnormal claims are incurred by their fieldworker employees.

During 2009–10 Forests NSW reached a settlement of a significant claim received in 2006–07 relating to losses suffered as result of a fire allegedly escaping from a State forest in December, 2006 and damaging a neighbouring plantation. Forests NSW, through its insurers, continued to defend this claim during 2009–10.

Land disposals

Two properties were disposed of with a total value of \$800 000. These properties were surplus assets and not required for timber production purposes. All documents relating to property disposals are available for access under the *Freedom of Information Act 1989*.

Overseas visits

Name/Position	City/Country/Date	Purpose
Mr Ross Dickson Director Land Management & Forestry Services Division	New Zealand 10-12/8/09	Attend Radiata Pine Breeding Company Board and Committee meetings.
	New Zealand 8-11/2/10	Attend Radiata Pine Breeding Company Board and Committee meetings.
	New Zealand 14-17/6/10	Attend Radiata Pine Breeding Company Board and Committee meeting.
Ms Della Farthing Director People, Learning & Culture	New Zealand 23-28/8/09	To benchmark with other industry partners and research providers to allow for assessment and adoption of best practice forest management.
Mr Daniel Tuan Project Manager Native Forests Operations	New Zealand 23-28/8/09	To benchmark with other industry partners and research providers to allow for assessment and adoption of best practice forest management.
Dr Dane Thomas Research Scientist Tree Improvement Land Management & Forestry Services	Vietnam, China 16-24/11/09	Australian Centre for International Agricultural Research (ACIAR) project aimed at improving the value chain for plantation grown eucalypt sawn wood in China, Vietnam and Australia.
Mr Kevin Dodds Research Officer Land Management & Forestry Services	New Zealand 22-27/11/09	Attend Radiata Pine Breeding Company Technical and Committee meetings.
Mr Nick Roberts Chief Executive Officer	Uruguay, Chile 24/10/09 – 9/11/09	Study tour of plantation developments in Uruguay and Chile.
Mr Ian Brown Director Planted Forests Operations	Uruguay, Chile 24/10/09 – 9/11/09	Study tour of plantation developments in Uruguay and Chile.
Mr Bob Germantse Regional Manager Hume Region Planted Forests Operations	Uruguay, Chile 24/10/09 – 9/11/09	Study tour of plantation developments in Uruguay and Chile.
Mr Keith Woodward Sales Coordinator Macquarie Region Planted Forests Operations	New Zealand 8-14/11/09	Benchmark against New Zealand plantation forestry companies on roading engineering techniques and develop recommendations for Forests NSW future directions.
Mr Roger Davies Infrastructure Manager Hume Region Planted Forests Operations	New Zealand 8-14/11/09	Benchmark against New Zealand plantation forestry companies on roading engineering techniques and develop recommendations for Forests NSW future directions.
Mr Peter Stiles Softwood Sales Coordinator Hume Region Planted Forests Operations	New Zealand 12-15/4/10	Benchmark New Zealand harvest and haulage practices for the upcoming tender process to achieve a more competitive outcome.
Mr Dale Maclean Harvesting Manager North East Region Native Forests Operations	New Zealand 3-8/5/10	Study centralised logging truck dispatch operations, value recovery optimisation systems, cable harvesting systems.
Mr Damien O'Reilly Regional Manager Northern Region Planted Forests Operations	New Zealand 3-8/5/10	Study centralised logging truck dispatch operations, value recovery optimisation systems, cable harvesting systems.

Legislation and legal issues

Legislation

The Timber Marketing Regulation 2005 that is due to be repealed on 1 September 2010 will be remade with minor amendments to commence when the 2005 Regulation lapses. A regulatory impact statement and draft Regulation have been released for public comment.

Major works in progress

There were no major works in progress or undertaken during 2009–10. Capital commitments for 2010-11 are \$3 780 000.

Multicultural policies and services plan

Forests NSW is committed to the Principles of Multiculturalism enshrined in NSW State law. Although Forests NSW adheres to all four of the broad objectives that underpin the NSW Government's Community Relations Plan of Action 2012, the nature of the business enables us to place particular focus and strategies around the objective of economic and cultural opportunities.

As a manager of land throughout rural New South Wales, Forests NSW has an opportunity to work with many local Aboriginal communities and Local Aboriginal Land Councils in providing employment opportunities and managing Aboriginal cultural heritage values.

Outcomes for Aboriginal cultural heritage are included in Forests NSW Ecologically Sustainable Forest Management Plans developed for all Regions.

Specific programs and outcomes include:

- This year Forests NSW has promoted the Community Language Allowance Scheme to all staff. All nominees have been supported with a number of staff now listed and receiving the appropriate allowance.
- Staff with bilingual skills have been identified in the payroll system and can be accessed as required.
- Planning is underway for an organisational-wide rollout of Diversity training in early 2011.
- Forests NSW further developed its Aboriginal Employment Strategy throughout 2009–10. Initiatives taken throughout the year include participation in Aboriginal Employment Networks, Indigenous Employment Expos and Career Fairs.
- Forests NSW has partnered with the Aboriginal Employment Service who assisted with recruitment of two Aboriginal trainees to undertake a two-year traineeship, with Forests NSW as host employer to provide ongoing mentoring. The trainees are based in Grafton and work in native and plantation forests on a rotation basis, supplemented by TAFE study.
- Forests NSW employs two Aboriginal cultural heritage officers who help with identifying areas of significance to the Aboriginal communities and liaise on their care and control with Local Aboriginal Land Councils and other organisations.
- To celebrate NAIDOC, Forests NSW Aboriginal cultural heritage officer for the South Coast, spent time with students at Ulladulla Public School teaching them songs and dance of the Dhurga people. His work culminated in the students performing three dances and a welcome song in Dhurga language at a NAIDOC concert held at the school.
- Forests NSW partnered with industry skills council ForestWorks Pty Ltd in a project called Working Together to Encourage Indigenous Participation in the Forest and Forest Products Industry in NSW. Forests NSW and ForestWorks ran an information day in Kempsey where approximately 50 Aboriginal job seekers attended. The project team is scheduled to prepare and publish materials to assist Indigenous job seekers learn about the forest and forest products industry as well as materials for employers wanting to employ Aboriginal job seekers.
- In 2010-11, I&I NSW will offer eight cadetships under the NSW Indigenous Cadetship Program and Forests NSW has committed to taking one of these cadets.

Free access is available to all State forests (unless closed for harvesting operations, extreme weather conditions or special events). Wherever possible, clients' special needs are addressed professionally, expeditiously and in a manner appropriate to those needs.

Privacy management

Forests NSW respects the privacy of our employees and members of the public who use our services. As a public trading enterprise, Forests NSW must comply with the requirements of the *Privacy and Personal Information Protection Act 1998* (PPIPA) and the *Health Records and Information Privacy Act 2002*.

Forests NSW adopted the Privacy Management Plan for I&I NSW which was developed during 2004-05.

No reviews were requested under Part 53 of PPIPA during 2009–10.

Publications and website

Website

Forests NSW web pages are part of I&I NSW website at: www.industry.nsw.gov.au/forests

During the year I&I NSW and Forests NSW continued improvements to the recreation section of the website adding more images and details on recreation sites and facilities throughout the site.

Content relating to forests and climate change was developed for the LandLearn website along with online education resources including PowerPoint displays and a short web video on Australian Growth Selection. These can be viewed at www.landlearnsw.org.au. It is intended to expand these resources in 2010-11.

Content regarding forests in the Sydney and central coast areas was contributed to the Parks and Reserves website – a multi-agency initiative coordinated by the Land and Property Management Authority. This can be viewed at www.parksandreserves.nsw.gov.au

Bush Telegraph magazine

Bush Telegraph is a free forestry magazine published by Forests NSW and distributed to stakeholders and interested parties across NSW, Australia and internationally. The publication is distributed in March and September each year.

To receive this publication complete the online subscription form at www.industry.nsw.gov.au/forests or fax your postal details to 02 9871 6941.

Recreation brochures and maps

A range of recreational brochures and maps continued to be available from Forests NSW including:

- Recreation in NSW State forests
- Sharing forest roads with heavy vehicles
- Guides to Cumberland State Forest in Sydney's north-western suburbs, outlining the recreation opportunities available, volunteer activities and public programs.
- The Forests NSW Forest Map series which currently covers the Central Coast, Lower North Coast, Mid North Coast, Central West, South Coast and Far South Coast.
- The Best Bush Map – a handy glovebox guide for those who like to explore State forests, National Parks and Crown Reserves in NSW

Maps can be purchased online via the Forests NSW website or over the telephone on 1300 655 687 or 02 9871 3377.

Fact sheets

A series of fact sheets known as *Primefacts* is available online and in hard copy on a variety of forest-related topics. During the year a number of forests related *Primefacts* were updated and re-printed.

Educational publications

A variety of education materials and resources are available online.

Cumberland and Strickland State Forests continue to be popular excursion destinations for teachers and students with a variety of support material available.

Promotional brochures

Various promotional items including bookmarks and temporary tattoos were produced for distribution at events and through education activities.

Display material

A range of display items were produced to support corporate events, sponsorships and educational displays. These included material covering the journey of timber from forest to frame, carbon storage in forests and timber products and the achievements of Forests NSW.

Statistics and reporting documents

- Forests NSW Annual Report 2008–09 (including the Social, Environmental and Economic Report)
- Forests NSW Facts and Figures 2008–09

Copies of these publications are available online at www.industry.nsw.gov.au/forests or by calling (02) 9871 3377 or 1300 655 687.

Research and development

Forests NSW research and development objectives were primarily delivered through the Forest Science Centre within the Science and Research Division of I&I NSW, as well as units of its own Land Management and Forestry Services branch. Services are provided in three main program areas: Forest Biosecurity and Resource Assessment; Forest Biodiversity and Ecology; and New Forests.

The **Forest Biosecurity and Resource Assessment** team undertakes surveillance activities and provides diagnostic capabilities to assess forest health status, and to detect exotic incursions and potential outbreaks of pests and diseases of forests and timber. Research into remote sensing technologies provides cost-effective outcomes for tree-scale resource and canopy condition assessment, tree health attributes and development of site hazard rating models to manage predicted changes in local climatic conditions.

The **Forest Biodiversity and Ecology** team delivers research and advice on the ecological sustainability of native and planted forests under current management systems, with specialist knowledge on terrestrial vertebrates and plant species composition. It has expertise in the design and analysis of multi-factorial experiments, statistical modelling of species distributions and investigations of complex ecosystems. Several long-term (> 25 years), operational-scale, research experiments examine the responses of native fauna and flora

to management practices, including the effects of intensive logging and fuel-reduction burning, and the establishment of eucalypt plantations on previously cleared farmland.

The **New Forests** team delivers research and development of environmental services of forests in the areas of climate change mitigation and land rehabilitation. It develops methods to monitor and predict environmental services to establish the potential environmental benefits of planted forests, and the best management practices to optimise environmental and commercial benefits in low rainfall areas. It also examines the impacts of climate change on forests, and contributes to development of climate change policy, particularly in relation to bioenergy and greenhouse accounting for emissions trading.

More information on research activities can be found at : <http://www.dpi.nsw.gov.au/research/forestry>

Waste management

Forests NSW continued its commitment to the management of waste, recycling and procurement policies in line with the NSW Government Waste Reduction and Purchasing Policy (WRAPP) and the NSW Sustainability Policy, which sets targets for resource use, disposal and procurement across energy, water, fleet and waste.

The main focus has included:

- reducing the overall waste volume generated
- reducing the volume of waste disposed to landfill
- recycling appropriate wastes
- use of recycled content materials
- reducing water use
- upgrading of fleet to reduce emissions

During 2009–10, the following waste management and recycling initiatives were undertaken:

- further implementation of an e-document/filing management system, including scanning of incoming correspondence and invoices for e-storage and recycling of originals (where appropriate)
- printers/ photocopiers use recycled cartridge toners where possible
- obsolete and used computers (electronic waste) sent to recycling
- excess vegetation (e.g. branches, leaves etc) waste from Cumberland State Forest redirected to green waste facilities
- 100% of used tyres and waste oils from Forests NSW fleet vehicles and plant sent to recyclers
- scrap metal recycled from all Forests NSW workshops and from West Pennant Hills facility
- office paper recycled in all offices
- recycling of co-mingled containers

Indicator 21 on page 45 provides more details on Forests NSW waste management.

Workers compensation

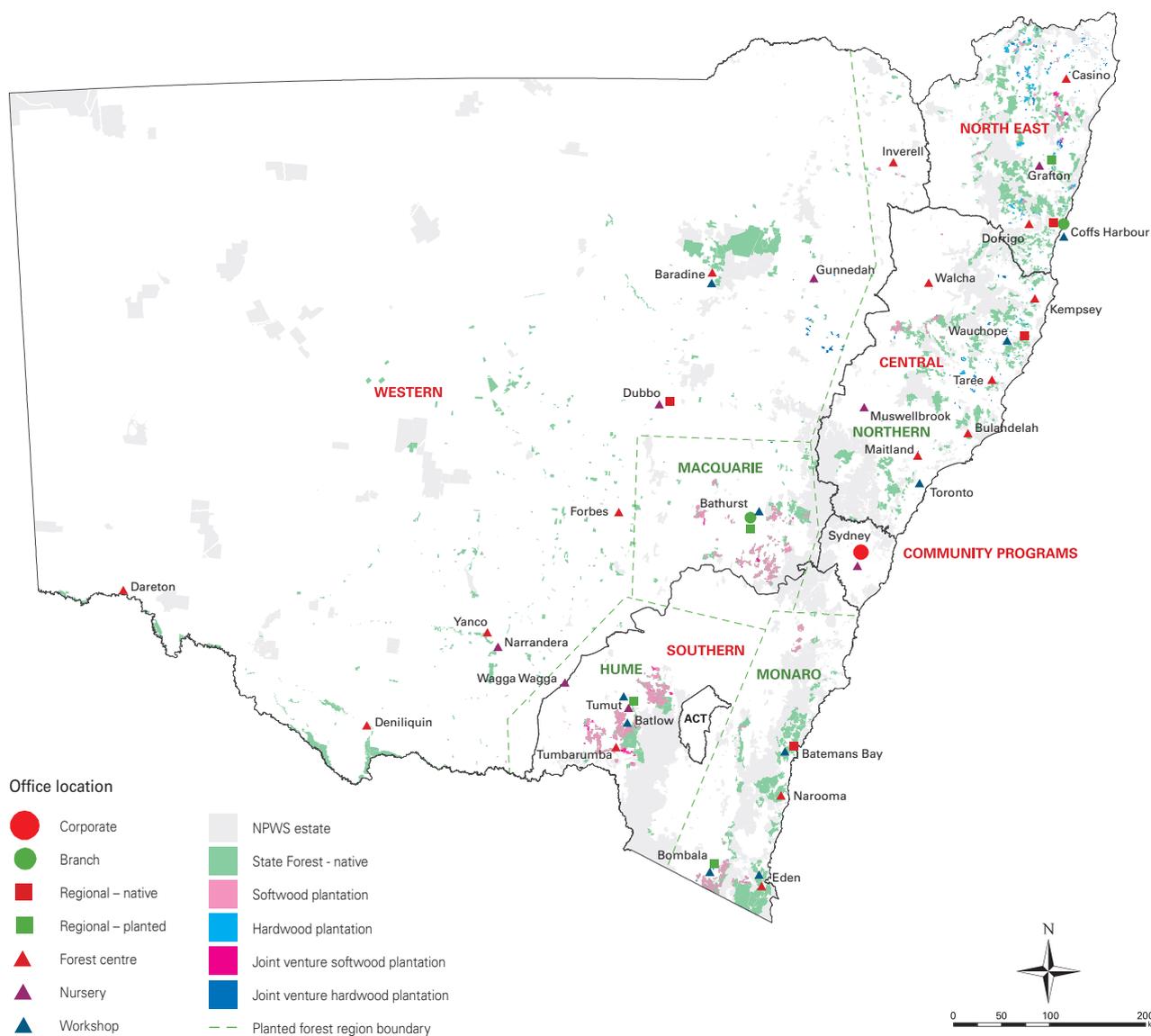
Workers compensation (self-insured)	2006–07	2007–08	2008–09	2009–10 Self-insured	2009–10 TMF (from 01/12/2009)
Number of claims lodged	103	111	73	68	8
\$ spent on claims (inc. settlements)	\$826 737	\$988 004	\$2 036 439	\$1 181 370	\$20 411
Number of permanent impairment claims lodged	6	5	16	15	0
\$ spent on permanent impairment claims	\$68 330	\$57 500	\$218 425	\$112 225	0
\$ spent on work injury damages settlements	\$0	\$0	\$495 000	\$165 000	0
Number of decline notices issued	3	3	10	2	1

Note: Forests NSW commenced insuring the public sector workforce with the Treasury Managed Fund as of 01/12/2009. Forests NSW continues to self-insure for the fieldworker workforce and all public servant claims lodged prior to 01/12/2009

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Forests NSW estate and business centres



Abbreviations and acronyms

AFS	Australia Forestry Standard (AS 4708:2007)
CO ₂ -e	'Carbon dioxide equivalent', the internationally recognised measure of greenhouse emissions
E-10	Petrol fuel mix with 10% ethanol
ESFM	Ecologically Sustainable Forest Management
FMZ	Forest Management Zone
GJ	Gigajoule
GRI	Global Reporting Initiative
ha	Hectare
HRB	Hazard reduction burn
IFOA	Integrated Forestry Operations Approval
I&I NSW KRA	Industry & Investment NSW Key Result Areas (See 2010-13 Industry & Investment NSW Corporate plan)
kL	Kilolitre
LPG	Light Petroleum Gas

M	Million
m ³	Cubic metre
megatonne	Million tonne
n/a	Not applicable
n/d	Not determined
n/r	Not reported as an indicator
NPWS	National Parks and Wildlife Service, part of NSW DECCW
NSW	State of New South Wales
NSW DECCW	NSW Department of Environment, Climate Change and Water
OHS	Operational Health and Safety
REERM	Racial, Ethnic and Ethno/Religious Minority Groups
yr	Year

