

PRIVATE FORESTS TASMANIA

Annual Report
2009-10

PRIVATE FORESTS TASMANIA

Enquiries: Tom Fisk
Phone: 03 6233 7255
Fax: 03 6233 7009
Email Tom.Fisk@privateforests.tas.gov.au

Hon Bryan Green MP
Minister for Energy and Resources
Parliament House
HOBART TAS 7000

Dear Minister

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

In accordance with section 32E of the *Private Forests Act 1994*, I hereby submit for your information and presentation to Parliament the Annual Report of Private Forests Tasmania for the year ended 30 June 2010.

The Report has been prepared in accordance with the provisions of the *Private Forests Act 1994*.

Yours sincerely

Ian Dickenson AO
CHAIRMAN

October 2010

CONTENTS

Chairman's perspective	1
The year in review	3
Chapter One: Private Forests Tasmania – an introduction	5
Chapter Two: The private forest estate in Tasmania	7
Chapter Three: Encouraging and promoting private forestry	12
Chapter Four: Adding value to the private forest estate	15
Chapter Five: Trees in land management for environmental benefits	20
Chapter Six: The regulatory regime	21
Chapter Seven: Administration and finance	25
Statement of corporate intent	31
Financial Statements	

Chairman's perspective 2009-2010

I am pleased to present the Annual Report of Private Forests Tasmania (PFT) for the year ending 30th June, 2010.

There is no doubt that the past year has been one of the most challenging years we have experienced for not only private forestry, but for the whole of the Tasmanian forestry industry including all those who work in it. Contractors have been particularly hard hit.

The failures of several Managed Investment Scheme companies have resulted in a significant reduction in the rate of establishment of plantations on private land. This may result in large fluctuations in future wood supplies, but on a more positive note the period of expansion prior to the unfortunate collapses has boosted the plantation resource base considerably. Markets for our forest products over the past year have been subdued due largely to the global financial crisis. The strong Australian dollar and a negative campaign run by some environmental groups against native forest woodchips sold in Japan have also had an impact.

The debate at Australian Government level about an Emissions Trading Scheme and the Carbon Pollution Reduction Scheme has alerted forest owners and managers across the State to focus on learning more about the carbon cycle within our forests. Many of us are on a steep learning curve but realise that carbon may well provide significant opportunities for private forest owners in the future. It is very important that PFT has a good understanding of this issue to enable us to make a positive contribution to the debate and provide advice to private forest owners at the appropriate time.

The subject of certification of our private forests is now squarely on the agenda. The successful completion of certification of the "Lagoon of Islands" forests owned by Peter and Anne Downie is very positive. Peter and Anne are to be congratulated. They have blazed the trail for many other private forest owners who are keen to achieve the same outcome.

PFT has been provided with extra financial resources by the State Government to research the feasibility of obtaining group certification for smaller forest owners. These extra resources will also allow PFT to compare the two certification schemes currently on offer and to assist private forest owners down the certification pathway. This is just another way that we can assist our stakeholders add value to their forests and ensure their truly sustainable forest products retain their rightful position in the market place.

As mentioned in last year's annual report, "communications" is a particularly important role for PFT. Maintaining the "social licence" for the forestry industry in Tasmania is vital and the Directors believe that the organisation can play a key role in this area if we can dedicate appropriate resources to the task.

As a result of the Review of the Roles and Functions of PFT completed last year the Board was asked to look critically at how best to deliver value to the Government, private forest owners and other stakeholders. Over the last year we have spent considerable time assessing "what" the organisation must do to deliver that value. Over the next period we will determine "how" best to deliver that value.

The Board and staff remain positive about the potential to expand the contribution to the State from our privately-owned forests. There is no doubt that in an energy-constrained

world our forests can play an increasingly important role. Residues from current forest management practices can potentially be used to produce green energy, liquid fuels, and bio-plastics. These uses are common-practice in other parts of the world and have been for many years. There is also an emerging opportunity with respect to carbon storage in our forests. The Board strongly believes that emerging market opportunities such as these contribute to a positive and exciting future for our forests.

Our Chief Executive Officer, Tom Fisk, has been in the position for one year. The Board now appreciates the skills and dedication that Tom brings to the job. We fully support his wish to focus more on innovative and new opportunities for the private forestry sector as these are many and varied. On behalf of the Board I thank Tom for his effort and dedication over the last year and look forward to a productive year ahead.

I also thank senior staff who carried PFT for the period before Tom's appointment. Your efforts are appreciated.

To my fellow Directors, once again, thank you for your very real support and guidance over the past year.

Ian Dickenson AO

CHAIRMAN

The year in review

It is no news to anyone that the 2009-10 financial year was one of significant challenges for the forestry industry in Tasmania and the private forestry sector in particular. We have seen one of our industrial stakeholders go under administration and other processing and forest management businesses suffer considerably at the hands of the national and international market place for forest products. Last year (2008-09) was tough for the industry but later in this report it is revealed that the real impact of the global financial crisis (GFC) has shown its face more brutally this year with the production levels from private forests reducing by 41% compared to 2008-09 to a level that is 48% of the average private forest harvest for the five year period 2004-08, prior to the impact of the GFC.

Reduced sales of forest products has not only impacted the private forestry sector, production from State-owned forests also decreased considerably, but the production statistics indicate that the contribution from private forests to overall State production levels has continued to fall. In 2008 the private estate contributed 42% to State production, in 2009 38% and in this year 30%. This bucks the historical trend that saw private forests progressively approaching Crown production levels. There is an expectation that this increasing level of contribution will once again be achieved when markets improve and the expanded private hardwood plantation estate becomes fully productive.

The consequence of this reduction in the production of forest products has impacts all along the forestry value chain from resource owners through contractors to processors with the impact being felt throughout the entire community. Sad times indeed and we can only hope for, and work hard towards, an improvement in the markets for our truly sustainable products and investigate opportunities for new and emerging markets. There are exciting opportunities emerging.

That said, it has been a busy year for Private Forests Tasmania (PFT) and I refer you to the following chapters for specific details. In fact it is often in difficult times like this that the services provided by PFT are most valued. Once again, the main focus of PFT activity has targeted non-industrial private forest growers and the staff of the organisation have been kept busy providing advice and assistance to many forest owners throughout the State who choose to actively manage their forests. We have engaged with many forest owners "one-on-one" either in the field or over the phone, run field days for large numbers, and organised "get togethers" that provide opportunities for those with common interests to come together to discuss their interests and hear and learn from people who can add value to their farm/forestry businesses.

In keeping with our role of sourcing funding opportunities to assist with the expansion of the private plantation estate we have done a considerable amount of work assisting Forestry Tasmania promote their "Trees on Farms" scheme and continue to look for similar opportunities for private landowners keen to integrate more trees into their farming landscape.

Once again we have been successful in sourcing external funds from the Australian Government for research and development activities that will ultimately benefit our stakeholders. Two grants totalling \$360,000 have been received that will underpin work on carbon initiatives aimed at preparing private forest owners for emerging carbon markets and educating them about the role trees can play in the carbon balance on their properties. This will add to our growing resource of field trials and management tools that we use to underpin the advice and assistance we provide to private forest owners, and adds to the total of around \$8 million dollars that PFT has secured in this regard over the last 10 years.

Of course these are the more obvious services that we have provided during the year but many are probably not aware of the work that goes on “behind the scenes” whereby we engage in activities that directly or indirectly benefit private forest owners. In Chapter 1 we list a range of activities that fall into this category and I mention some of them again here because they have consumed a considerable amount of PFT resources during the year:

- representation on Boards and committees that feed directly into state and national forest policy formulation of relevance to private forest owners and forest operations regulation (e.g. the Forest and Forest Industries Council, Forest Practices Advisory Council, Vegetation Management Policy Advisory Group, and the Forests and Forest Products Committee);
- direct input to government forest policy matters either direct to the Minister or via DIER Forest Policy Unit;
- playing an advocacy role for private forest owners generally and specifically in regular meetings with the Minister and his staff;
- assisting landowners with test case forest management issues in the Forest Practices Tribunal; and
- research activities from which the results are freely available.

We are often asked by private forest owners to justify the levy that they have to pay when they engage in active forestry operations. The Private Forest Service Levy was introduced by agreement with private forest owner representatives to provide another source of income for the organisation other than Government appropriation. The amount charged to a forest owner, based on the nett area of a certified Forest Practices Plan, has not increased since inception, remaining at \$14 per hectare for 10 consecutive years. In response to those who question the value they receive for the levy I contend that as a minimum these “hidden services” listed above provide considerably more value to our stakeholders than the cost they incur through the levy. There can be no doubt that without PFT’s involvement in these activities the private forestry operating environment would be very different.

From a financial perspective the Authority recorded an operating loss of \$96,000 for the 2009-10 financial year, which is a considerable improvement on last year despite the reduced industry activity and the impact that had on levy income. Underpinning fixed costs with variable income is problematic for the organisation and something we will be striving to address in the future. Considerable constraint was exercised by the entire organisation in order to contain and reduce costs and I want to take this opportunity to thank all the staff for their contribution in this regard.

PFT continues to face considerable challenges in balancing the demands and expectations of its many stakeholders with limited staff resources and we look forward to an improvement in that situation over the next few years. Regardless, the current staff take pride in the service they provide to our stakeholders and I want to thank them for their efforts during this year. As we look to the future we need to be prepared for what may be a different shape to our industry with opportunities for forest growers and processors alike to participate not only in traditional but also exciting emerging market opportunities. There can be no doubt that private forests will continue to be a major, and quite likely increasingly important, contributor to this new look industry.

Tom Fisk

CHIEF EXECUTIVE OFFICER

Chapter One: Private Forests Tasmania – Introduction

Private Forests Tasmania (PFT) was established in 1994 under the *Private Forests Act 1994* with governance responsibilities that recognise the economic, environmental and social importance of Tasmania's private forests.

The objective of PFT as set out in Schedule 1 of the *Private Forests Act 1994* is:

“...to facilitate and expand the development of the private forest resource in Tasmania in a manner which is consistent with sound forest land management practice”.

Its core functions and powers are set out in Sections 6 and 7 of the Act, and can be broadly summarised as follows:

- *to develop and advocate strategic and policy advice to the Minister responsible for forestry on all matters relating to private forestry in Tasmania;*
- *to work in partnership with private forest owners and users by providing advice on all aspects of forest management; and*
- *to initiate extended or new market opportunities.*

The organisation has an administrative and operational structure spread across 3 regions – north-west, north and south – to facilitate good access for stakeholders to the skills available within the organisation. Consideration is being given to a functional rather than a geographically based structure but stakeholder access will always be an important consideration in any structural change.

The operating costs of PFT are underpinned by a variety of income streams – State Government appropriation, the Private Forest Service Levy and consulting income. State Government appropriation provides the bulk of the income with the other two sources being variable and largely dependent on the industry activity – which is problematic for the organisation. In the last two years reduced industry activity has impacted, in particular, the Service Levy creating a considerable challenge for the organisation to cover its costs. Underpinning fixed costs with variable income is not an ideal model, particularly considering that assistance is often most in need when the operating environment is most challenging.

The majority of the services PFT provides are quite obvious to our stakeholders – collection, collation and reporting of data on the private forest estate, advice to private forest owners in relation to the sustainable management of their forests and the provision of advice to Government on matters relating to private forestry. However, activities that often go unnoticed are those that occur behind the scenes without our stakeholders even being aware of them and it should not be underestimated how much of the organisation's resources are directed towards these activities. Broadly, they are activities that directly or indirectly benefit all private forest owners who choose to actively manage their forests including, but not limited to, the following:

- PFT representation on Boards and committees that feed directly into state and national forest policy formulation of relevance to private forest owners and forest operations regulation (e.g. the Forest and Forest Industries Council, Forest Practices Advisory Council, Vegetation Management Policy Advisory Group, and the Forests and Forest Products Committee);

- direct input to government forest policy matters either direct to the Minister or via DIER Forest Policy Unit;
- playing an advocacy role for private forest owners generally and specifically in regular meetings with the Minister and his staff;
- assisting landowners with test case forest management issues in the Forest Practices Tribunal;
- field days open to all;
- research activities from which the results are freely available; and
- securing grant funds that directly benefit private growers – \$8 million over the last 10 years.

There can be no doubt that without PFT's involvement in these activities, the operating environment for private forest owners who actively manage their forests would be very different.

Throughout all PFT's activities the staff of the organisation work hard to ensure they provide quality service to their stakeholders and take pride in the service they deliver.

This Annual Report on the operations of PFT provides a review of the organisation's activities during the year together with the audited financial statements for the year ended 30 June 2010. It also includes production and area-based statistics related to the private forest estate – both industrial and non-industrial. The organisation's operations are reported on under chapters that reflect our objectives together with a chapter providing an overview of Administration and Finance and a separate section containing the Financial Report for the 2009-10 financial year.

Chapter Two: The private forest estate in Tasmania

Private Forests Tasmania (PFT) collects and collates quantitative data on the private forest estate and makes this data available to government and other stakeholders. The private forest estate is a significant component of the total Tasmanian forest estate and (apart from short-term market driven anomalies as we are currently facing) as the estate continues to grow its contribution to the Tasmanian forestry industry becomes more apparent.

2009-2010 Harvest summary for the private forest estate

The annual data collation of major log products harvested from private forests was expedited with the co-operation of 33 individual forest products processing businesses throughout the State. The information is provided to PFT on the basis that the raw data will be aggregated for reporting purposes and strict confidentiality of the raw data provided is guaranteed. The past five financial years' harvest volumes are summarised in the table and graph below for comparative purposes.

It should be noted that the harvest data is collected directly from processors and a number of processors ceased to operate in the period. In 2008-2009 46 individual forest processing companies provided data, as opposed to 33 for this period. The provision of the data is on a voluntary basis and no measure of the reliability of the data provided has been made.

Private forests harvest volumes 2005-06 to 2009-10 (tonnes)

	2005-06 No fuel wood	2006-07 No fuel wood	2007-08 No fuel wood	2008-09 No fuel wood	2009-10 No fuel wood
NATIVE HARDWOOD					
Hardwood Sawlog, Veneer & Ply	69,837	48,765	51,980	39,435	52,343
Hardwood Pulpwood	944,096	955,879	1,134,118	891,641	260,343
Minor Log products	5,412	470	416	912	2,420
Total	1,019,345	1,005,114	1,186,514	931,988	315,107
PLANTATION HARDWOOD					
Hardwood Sawlog, Veneer & Ply	11,695	11,957	16,800	4,977	3,712
Hardwood Pulpwood	973,209	921,679	1,103,366	998,512	807,411
Minor Log Products	--	--	--	--	--
Total	984,904	933,636	1,120,166	1,003,489	811,123
PLANTATION SOFTWOOD					
Softwood Sawlog, Veneer & Ply	121,381	198,665	201,571	46,164	64,991
Pulpwood	217,935	128,984	354,080	192,878	85,589
Minor Log Products	38	1,181	3,671	3	339
Total	339,354	328,830	559,322	239,045	150,919
GRAND TOTAL	2,343,603	2,267,580	2,866,002	2,174,532	1,277,149

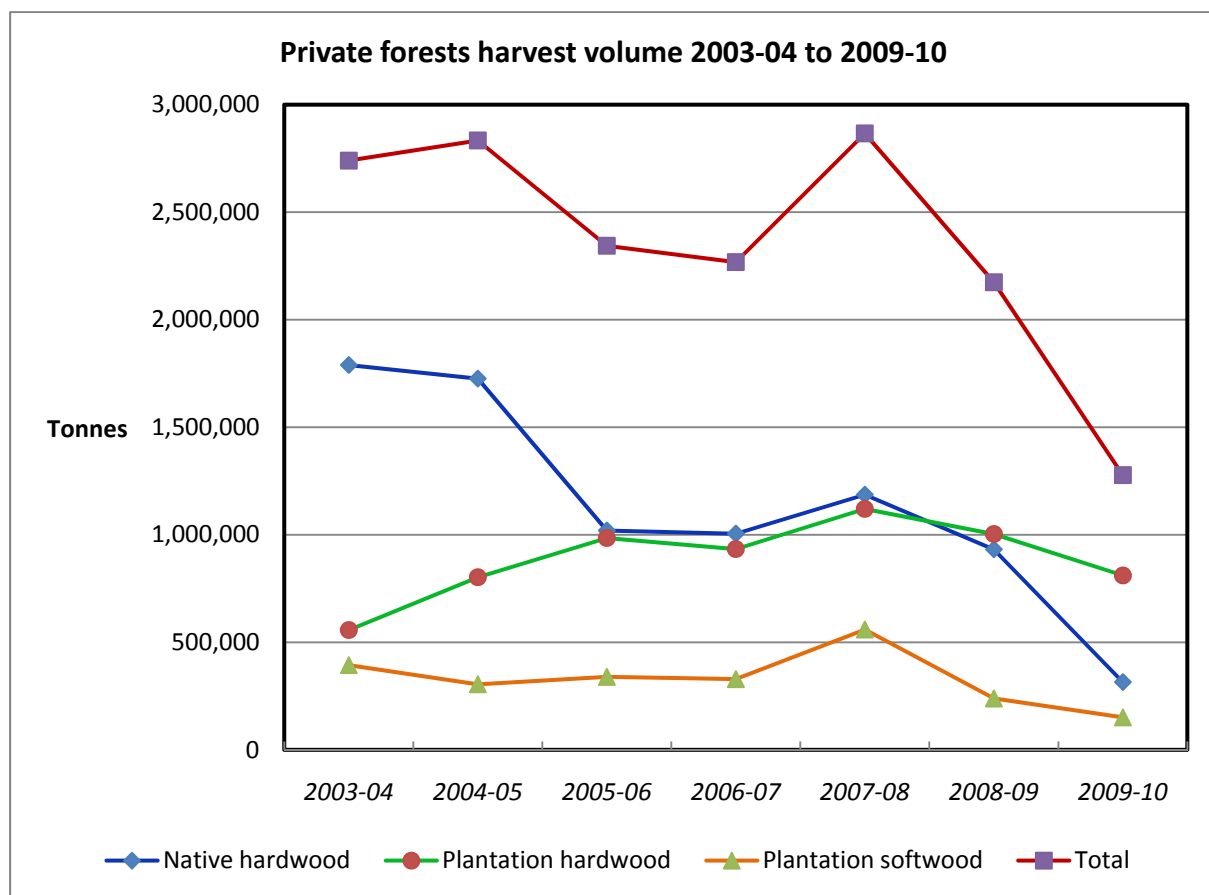
The total harvest from private forests in 2009-10 was 1,277,149 tonnes, a drop of 41% from the previous year. The 2009-10 harvest volume equates to only 48 percent of the average annual harvest volume for the five year period 2004 to 2008, the period prior to the global financial crisis (GFC).

This production level represents 30% of the State's total forest production which again is a drop from last year at 39% and the previous year at 42%. This drop in contribution is the second year of an aberration in the historical trend that was revealing the private forest harvest progressively approaching Crown production levels. As the expanded private hardwood plantation estate becomes fully productive, and if market conditions improve, it is expected that the historical trend of increasing private contribution will be re-established.

Wood production

Production from all forest types (native forests, hardwood and softwood plantations) has dropped from the previous year – 66.2% drop for native forests; 19.2% drop for hardwood plantation; and a 36.9% drop for softwood plantation.

The following graph provides a good visual representation of the private forest production trends by forest type for the last seven years, the five years prior to the GFC, and the last two periods, 2008-09 and 2009-10. There has been a substantial drop in production during the last 24 months due to the impact of the GFC on the Tasmanian forestry industry as a whole.



The decline in production of native hardwood is primarily due to a decline in hardwood pulpwood production. Although hardwood sawlog, veneer and ply returned to previous levels, 52,343 tonnes for 2009-10, the hardwood pulpwood production was recorded as being only 260,343 tonnes for the same period. Private native forests have in the period 2004 to 2009 yielded between four and seven tonnes of sawlog of every 100 tonnes of pulp wood. In 2010 the yield of sawlog was 17 tonnes for every 100 tonnes of pulpwood. There are two possible explanations for the change in sawlog yield. The entry of a new buyer, a

ply wood processor, has provided a market of material previous sold as pulpwood. Alternatively, the harvest summary survey undertaken by PFT is less reliable than in past years as fewer returns were received.

The following tables are provided for comparative purposes revealing the trends over the last ten years in the relative contribution to the total private forest estate harvest from the individual forest types.

Native forest and plantation harvest as % of total harvest from private forests

Year	Native forest harvest		Plantation forest harvest	
	Volume (tonnes)	Percentage	Volume (tonnes)	Percentage
2000-01	2,053,089	76.7	622,205	23.3
2001-02	1,812,871	67.6	868,551	33.4
2002-03	1,894,197	66.7	945,427	33.3
2003-04	1,798,127	65.3	950,847	34.7
2004-05	1,726,001	60.9	1,107,226	39.1
2005-06	1,019,345	43.5	1,324,258	56.5
2006-07	1,005,114	44.3	1,262,466	55.7
2007-08	1,186,514	41.4	1,679,488	58.6
2008-09	931,998	42.9	1,242,534	57.1
2009-10	315,107	24.7	962,042	75.3

In 2009-10 the plantation harvest exceeded the volume harvested from native forest by 50.6 per cent. The harvest from plantation forests accounted for 75.3% of the total harvest from the private forest estate. Given the decline in plantation forest harvest from 1.24 million tonnes in 2008-09 to 0.96 million tonnes in 2009-10, the impact of the GFC was a more significant factor on the mix of wood source than changing importance of the two wood supply sources.

Plantation hardwood pulpwood as % of total hardwood pulpwood from private forests

Year	Volume (tonnes)	Percentage
2000-01	238,104	11.1
2001-02	511,436	23.5
2002-03	628,921	26.0
2003-04	549,988	24.8
2004-05	799,280	32.9
2005-06	973,209	50.8
2006-07	921,679	49.1
2007-08	1,103,366	49.3
2008-09	998,512	52.8
2009-10	807,411	70.0

In 2009-10 the pulpwood from hardwood plantation accounted for 70.0% of the total hardwood pulpwood from the private forest estate. Plantation hardwood pulp production declined from 998,512 tonnes in 2008-09 to 807,411 tonnes in 2009-10, a 19.1% decline.

The decline in plantation hardwood pulp production between 2007-08 and 2008-09 was only 9.5%. The impact of the GFC on markets has affected all market sectors.

Reporting on the private forest estate

PFT maintains a spatial dataset of the extent of the private forest estate. This dataset is updated annually, although as reported in the last Annual Report, in the last two years a full update was not undertaken. The private forest estate spatial dataset is used by other agencies to update state-wide data on forest extent and forest type. The following table provides broad outline of the composition of the private forested estate.

Forest groups on private land – 2006 to 2009 (hectares)

Forest group	As at December 2006	As at December 2009	Increase over 2006 estimate	Decrease over 2006 estimate
Non-forest	1,675,976	1,640,304		35,672
Eucalypt low forest	666,587	650,134		16,453
Eucalypt tall forest	161,003	161,267	263	
Rainforest	16,932	16,608		323
Other native forest	32,434	31,438		996
Plantation - hardwood	129,921	181,637	51,717	
Plantation - softwood	20,557	23,139	2,582	
Totals	2,703,409	2,704,526	54,562	53,444
Net change		+1,117		

The increase and decrease in area for each Forest group is a simple measure of the change in the private forest estate. Care needs to be taken when interpreting these changes. Change in area of a forest group may be the result of improved mapping (better defined boundaries or increased accuracy), corrections to previous estimates (greater precision) or change as result of actual change in vegetation cover.

The increase in plantation area (from a total in 2006 of 150,478 hectares to 204,776 hectares in 2009) is the nett result of:

- improvement of mapping of plantation with greater use of GPS boundaries to improve the accuracy;
- areas of non-forest (areas used for agriculture and other cleared lands where agriculture had ceased) now plantation; and
- areas of eucalypt low forest, other native forest and rainforest, now plantation.

The Permanent Native Forest Estate Policy 2009, issued in December 2009 provides for an orderly phase-out of broad-scale conversion on private land by 2015, while maintaining the Policy commitment to maintain the state-wide level of native forest above 95 per cent of the 1996 area.

PFT is required to prepare a five-yearly report on the private forest resource. To undertake this task both the extent and forest stratum needs to be determined and the volume of wood

(or carbon) needs to be estimated for each stratum. This gross wood volume is then discounted by a number of factors to reflect the requirement to reserve areas under the Forest Practices System and the management intent of the forest owner. Finally, based on a set of assumptions on forest use and silvicultural management, the potential wood flow from the private forest estate is modelled.

To date the forest extent by forest stratum has been estimated. The gross volume of wood per stratum is yet to be calculated. The potential to use LiDAR technologies (**L**ight **D**etection **A**nd **R**anging) to provide gross volume estimates, and carbon above ground, is recognised.

The task for preparing a report on the private forest resource requires the support of the forest companies who own and manage their own forest estates. The current changes in the structure and ownership of the industrial private forest estate has meant that their own modelling of wood flow has been dynamic.

Mapping Technology

The Geographic Information Systems (GIS) continues to be a key resource for PFT. Combined with a spatial data management system, the GIS is a vital tool used to provide advice and assistance to landowners, and advice to the Minister and others.

Collection and collation of information on changes to the private forest estate is obtained through links with other data collectors, the use of satellite imagery and from direct on-ground interaction with private forest clients. Our GIS capability has been enhanced as the high resolution QuickBird satellite imagery has become available. Further work and resources are required to fully utilise the images and update forest cover on private land.

This information is shared with other organisations and in particular, theLIST.

PFT uses spatial datasets created by others, in particular, datasets under the custodianship of the Land Information System Tasmania (theLIST), managed by the Department of Primary Industries, Parks, Water and Environment. During the year the Tasmanian Spatial Information Council and the Tasmanian Government Spatial Committee have been active in implementing effective governance arrangements for spatial information within the Tasmanian Government. PFT has been active on the Committee to ensure the spatial data infrastructure is improved.

Chapter Three: Encouraging and promoting private forestry

One of the key objectives of PFT is to promote the development of private forestry in Tasmania. The increasing recognition of private forestry and its social, economic and environmental benefits to the State are promoted through a variety of activities such as direct input into government policy, client servicing via extension services, meetings and briefings with stakeholders and interested parties, and having a presence at major public events such as AGFEST. Highlights of some of these activities follow.

Government policy

As appropriate, submissions are made to the relevant government agencies to advise on matters relating to and impacting upon the private forestry sector. In particular this year PFT played a major role in negotiations in relation to the review of the Permanent Native Forest Estate Policy.

Of a general nature the CEO meets with DIER management, including the Forest Policy Director, on a fortnightly basis in relation to matters pertaining to the forestry industry in general and the private forestry sector in particular. The Chairman and CEO meet with the Minister responsible for forestry as a minimum on a three-monthly basis but more often if necessary. PFT staff also represent the interests of private forest growers and owners at a range of government forums and committees including:

- Forest Practices Advisory Council
- Forests and Forest Industry Council of Tasmania
- Vegetation Management Policy Advisory Group
- Forestry and Forest Products Committee
- Fauna Strategic Planning Group
- Forest Practices Tribunal
- Forest Practices Code Review Group
- RFA Implementation Group

Client Servicing

The delivery of client services is an important activity for PFT, the nature of which can range from simple advice over the phone to field visits and extensive field-based analysis and report preparation by way of consultancies. It may also include the provision of long-term support to many private forest owners. The value of this service is reinforced by the increasing number of new landholders seeking advice and assistance and the repeat business from long-term clients. This is more so given the increasing complexity and sophistication of forest management, forest practices regulation and changing market conditions.

Field Days and Other Events

The direct delivery of information to clients and other interested stakeholders is undertaken through field days, conferences and farm forestry seminars and dinners. These activities promote sustainable best-management forestry practices, inform growers of market intelligence and opportunities and highlight excellence in farm forestry. Below is a list of the events that occurred during the year:

- The annual Australian Forest Growers/PFT farm forestry dinner was held in Launceston in August 2009 and over 92 people, including the Minister responsible for forestry, attended. National experts, Roger Underwood and David Geddes, spoke on the causes of increasing fire hazards in native forests, the role of rural communities to improve bush fire management and fire behaviour in plantations. A private forest grower family, Mark and Georgina Cornelius, were awarded the biennial *AFG – Stihl Tasmania Tree Farmer of the Year Award* for the family's outstanding contribution to the sustainable management of native forest, eucalypt plantation and conservation covenants.
- The 29th North West Farm Forestry Annual Seminar/Dinner was held in Burnie on 10 August 2009. This is a joint PFT and NW Farm Forestry Group seminar evening. About 50 people attended including politicians, government officials, industrial representatives, and landowners. Fire Management and Community Engagement was the key theme. Special guest speaker Roger Underwood from Western Australia spoke on "Fire Management – the forgotten element in native forests and plantations in Australia"; a most applicable topic following the disastrous Black Saturday event in Victoria in February. A second guest speaker, Melanie Dare, spoke on "Practical community engagement for land management decisions". A north west case study on growing, harvesting and marketing Radiata pine was presented by Ross Henderson.
- PFT and AFG jointly organised a field day in April on the Tunbridge Tier property of Mark and Georgina Cornelius, recipients of the prestigious *Stihl - AFG Tasmanian Tree Farmer of the Year Award 2009*. Over 70 persons attended to see and discuss conservation and native forest management, timber marketing, and forest certification.
- PFT entered into a contract with NRM North to deliver two field days on farm forestry and property management planning with the first event successfully conducted in April. Over 84 persons attended this field day at Blessington on the property of Mr. Ian Dickenson AO. This event demonstrated how sustainable native forest management and plantations can be successfully integrated into farms commensurate with conservation and production objectives.
- A NW Farm Forestry field day was presented by PFT and Carol & Tony O'Neil on their Abbotsham property, south of Ulverstone. About 60 people attended this combined "timber and olive" session with interesting topics - harvesting volumes & returns of *Eucalyptus globulus* and *E. nitens* woodlots; coppice regeneration of the clearfell site; Blackwood trial growth projection; followed by the popular tasting session of the O'Neils' award winning "extra virgin olive oils" and a demonstration of their newly commissioned oil press.

- The 2010 AGFEST exhibit was run in conjunction with the Forests and Forest Industry Council, Forest Industries Association of Tasmania, Forest Works and Health Care Insurance, all on the same site. Split post-and-rail fencing demonstrations were a great addition to the combined forest industry display, drawing large crowds. PFT provided information about forest and plantation management, trees on farms and the suite of products, services and equipment available to the general public and landholders.

Communications

Apart from direct communications with landowners via the phone, email and in the field PFT's major mode of broad-scale communications with our stakeholders and other interested parties is through our publication "TREELine". The objective of "TREELine" is to provide information that is directly relevant to private forest owners to assist them with the management of their forests.

One edition was published in Winter 2009 and included articles on:

- A farm forestry case study – Ross Henderson at Lower Wilmot;
- Forests and wind risk;
- PFT silvicultural trials; and
- Best management practice certification.

A second edition was published in Spring 2009 / Summer 2010 and included articles on:

- A farm forestry case study – Brian Baxter of Pipers River, recipient of the Landcare Australia Primary Producer Award 2009;
- Stihl – AFG Tasmanian Tree Farmers of the Year 2009 – Mark and Georgina Cornelius; and
- Integrating trees into the agricultural landscape.

In order to more broadly engage with the wider community PFT seizes opportunities as appropriate to advertise our services or engage in topical issues in relation to the private forestry sector. To that end advertisements, editorials and advertorials were placed in The Examiner newspaper, Tasmanian Country, and The Advocate newspaper. Radio and television interviews were conducted by staff on a range of topical matters relevant to landowners.

Chapter Four: Adding value to the private forest estate

A major challenge for those involved in managing Tasmania's production forests is to find ways of adding value to these forests such that they continue to provide economic, environmental and social returns to their owners and the community at large. It is one of PFT's roles to focus on this activity particularly in relation to the private forest estate. This can be done in a variety of ways including: providing advice one-on-one to private forest owners; running field days to share knowledge and research findings more widely; developing forest management tools to assist farm foresters manage their forests more effectively; sourcing funds for research and development activities; searching for alternative market opportunities; and assisting with initiatives that enhance the appeal of the products from private forests in the market place.

During the last year PFT added value to the private forest estate through the activities and initiatives outlined below.

Plantations management

The **Stand History and Management Assessment System** (SHAMAS) – a database tool that enables PFT staff to better record work undertaken by landowners to manage their plantations and to schedule in advance when silvicultural operations such as thinning and pruning need to be conducted – has ensured that landholders manage plantations to industry standards and schedules. Over 500 stands covering 1,850 hectares of plantation forest are recorded in SHAMAS. During the year PFT provided landholders with information on timing and quality of pruning and thinning operations for 45 stands, facilitated contract pruning and monitored the quality of operations

In addition, SHAMAS enabled PFT to advise landholders to first-thin immature plantations and harvest small shelterbelts and woodlots despite a general downturn in demand for hardwood pulpwood and small sawlogs. PFT liaised with harvesting contractors to facilitate wood sales from local areas. Markets for small quantities of pine pulp have allowed for a small return to growers for immature thinning material, which is not traditionally saleable.

The **Pruned Stand Certification** (PSC) scheme is promoted by PFT to help add value to private plantations managed for high value clearwood. This certification process is administered by the Australian Forest Growers (AFG) nationally to provide smaller growers with a certified audit process that verifies pruned log quality and provides assurance to future log buyers in that regard. As a consequence tree growers are more likely to receive a higher stumpage for their logs at the time of sale. PFT, under consultancy to AFG, conducts national PSC training courses, and oversees and approves all PSC assessments for certification. During the year registered PSC auditors (including several PFT staff) have audited and assessed some 50 PSC assessments both locally and nationally.

The **Pine Development Loan** program is a long-standing program set up initially to encourage the expansion of the softwood resource on private land in Tasmania and ultimately increase the supply of higher-value softwood products for the State's processing industries. PFT maintains a landholder advisory role in this program in order to encourage plantation owners to actively manage their softwood plantations to achieve appropriate returns consistent with the aim of the program. A five-yearly review is conducted for all landowners with a current loan and work commenced on the 2009-10 review.

PFT maintains a number of **nutrition trials** for both *Pinus radiata* and *Eucalyptus nitens* and as a consequence is able to assist landowners with advice to assist them in achieving optimum plantation growth through appropriate nutrition management. This is particularly relevant in some of the lower-rainfall plantation zones through the Midlands.

Forest Certification

The forest products market place is giving forest growers and timber products processors a clear message that Forest and Chain of Custody certification is required in order for products to be regarded as produced in a sustainable way and hence be accepted in the market place. In an attempt to respond to these messages PFT's industrial stakeholders Gunns, FEA (for a period of the year) and Norske Skog all maintained their involvement with certification schemes and both Gunns and Norske Skog are attempting to gain dual certification under both the Australian Forestry Standard (AFS) and Forest Stewardship Council (FSC) schemes. In the meantime forest products processor, Smartfibre, maintained its commitment to both the AFS and FSC controlled wood chain of custody certification schemes. Emerging forest management company, SFM Forest Products, is also heading down the path of AFS certification and hopes to achieve this status in August 2010.

As a consequence it is imperative that non-industrial private forest owners follow this same path in order to maintain a presence in the market place. To achieve this, a form of Group Certification will be required but this will not be an easy journey considering there may be up to 2,000 individual forest owners who may wish to participate.

PFT has an extensive relationship network throughout rural Tasmania due to decades of work providing assistance to non-industrial private forest owners in relation to the sustainable management of their forests. PFT is regarded as the "honest broker" in the private forestry environment. By virtue of this position of trust and connection PFT is well-positioned to play the centralised role of facilitating and coordinating progression towards certification for the non-industrial private forest growers. This was recognised during the year by the Tasmanian Government's allocation of \$500,000 to PFT to assist the organisation lead private forest growers down the certification pathway. Achieving this goal will add considerable value to the private forest estate.

Farm forestry assistance

The positive contribution that actively-managed forests can make to climate change abatement is widely recognised by all tiers of government in Australia. In June, PFT received, under the Australian Government's Forest Industries Climate Change Research Fund, a grant of \$255,671 to undertake a 12 month project, *Carbon Plantations – Extending R&D to best management practices*, on private land in northern Tasmania. This project will assist landholders understand climate change impacts and emissions trading and how to invest in, grow and manage plantations as part of their own climate change management practices. Project Partners include CSIRO Sustainable Agriculture Flagship, Rural Development Services, AK Consultants, Livingston Natural Resource Services and AFG-TreeSmart.

In addition, under the same Research Fund, PFT was awarded \$105,000 to update the popular and widely-used Farm Forestry Toolbox to take account of carbon sequestration. This is yet another initiative that will potentially add further value to the private forest estate as the carbon market emerges.

PFT also added value to private forests through other farm forestry initiatives and activities including:

- at the request of NRM North, starting the development of a Farm Forestry Module to be incorporated into the “property management planning” system;
- continuing to hire mound ploughs, a smudger and a Quikspray unit to landholders to assist establish and maintain plantations;
- completing a contract with a mainland furniture manufacturer to facilitate the planting of trees to enable that company to “give back to the environment” - for every piece of furniture sold a tree will be planted; and
- providing a range of information to related property management based projects led by other groups including TAMAR NRM, NRM North, and the TFGA, and sought opportunities for private landowners to be involved.

Forest Practices Plans

The Forest Practices System in Tasmania is regarded as one of the most outstanding forest operations regulatory systems in the world. However, it is complex and often challenging for private forest growers to step through the system efficiently. During the year PFT assisted private forest growers in this regard by:

- preparing both certified and non-certified Forest Practices Plans, the latter for small-scale farm forestry;
- collating several certified long-term Forest Practices Plans for private landowners as case studies into the need, validity, application and integrity of long-term Forest Practices Plans;
- assisting private forest owners with Forest Practices Tribunal cases; and
- assisting the Forest Practices Authority in a number of investigations into alleged breaches of Forest Practices Plans.

Farm Forestry Trials

PFT maintains an important range of demonstration plantings and trials throughout the State to provide important data that underpins quantitative advice provided to private forest owners. Most of these trials are on cleared agricultural land considered marginal for traditional plantation forestry. These trials evaluate and demonstrate pruning, thinning and fertiliser options for the production of high-quality wood products to assist private forest owners maximise the return on their investment. There is a focus on expanding plantation development into areas of cleared private land not traditionally considered suitable for commercial plantations and where potential climate change impacts may be mitigated. These trials provide valuable baseline data to underpin that initiative.

The existing five eucalypt plantation silvicultural trials at Cressy, Blackwood Creek, Poatina, Rosevale and Carrick were thinned, pruned and fertilised during the year. These sites were assessed for tree growth. Three similar Radiata pine silvicultural trials were established at

Rosevale, Carrick and Hagley. A consultant's report on soils and site suitability at each trial site was obtained. Long-term climatic data was collated for all trial sites.

On-going measurement and maintenance was carried out on an *Acacia melanoxylon* (blackwood) silvicultural trial with replicates at Sheffield and Abbotsham. These trials demonstrate that this species can be successfully grown with eucalypt and radiata "nurse crops".

PFT established a two hectare *Cupressus lusitanica* (cypress) trial on a property at Preston and in conjunction with Forestry Tasmania and two participating landholders, successfully established four trial sites on two properties at White Hills and Blackwood Creek. The latter trials will field-test a number of local and introduced tree species, including *Eucalyptus globulus* (blue gum), deemed suitable for commercial wood production in areas with low rainfall and subject to frost.

Forestry Tasmania's "Trees on Farms" project

Searching for "investors" who want to fund the establishment of plantations, woodlots and shelterbelts on private land is another way PFT can add value to the private forest estate. To that end PFT and Forestry Tasmania (FT) signed an agreement in September 2009 for PFT to provide assistance to FT to develop plantations under their "Trees on Farms" project. In signing the agreement with PFT, FT recognised and acknowledged the strength of the relationship that PFT has with an extensive network of private landowners throughout the State and the value this would bring to their joint venture initiative.

Through their "Trees on Farms" project FT aims to enter into joint ventures with landholders to establish plantations, woodlots and shelterbelts on low quality, often weed-infested (typically gorse) private land. The landowner will receive a 30% share of the wood products at harvest. A major driver for FT is to assist in expanding the softwood resource for industry but they are also keen, where-ever possible, to plant *E. globulus* that will, apart from providing resource for industry, supplement Swift Parrot habitat and foraging sites. The Swift Parrot is an endangered species.

During the year PFT introduced the project to landowners, undertook six comprehensive site assessments and reported to FT on the suitability of over 520 hectares of private land for plantation development.

The "Trees on Farms" initiative was launched by FT on the 18th June and was televised as part of FT's "Going Bush" series. The CEO of PFT was involved in the launch in order to show strong support for the initiative.

Research and development diffusion

Another way PFT adds value to the private forest estate is to engage with other groups in order to ensure the interests and aspirations of private forest owners are adequately represented and to provide opportunities for private forest growers to come together to share knowledge and experiences and be exposed to "experts" in various fields of relevance to the management of their forests. To that end, during the year PFT was involved with or carried out the following activities:

- Participated in the Tasmanian Community Forest Agreement, *Alternatives to 1080 Stakeholder Group* and in several workshops and communication events;

- Maintained membership and liaised with the *National Plantation Working Group* until it was wound up in late 2009;
- Organised two annual farm forestry dinners for landholders and other interested people that were held at Launceston and Burnie. Over 140 landholders and forest managers were informed about the causes of increasing fire hazards in native forests, the role of rural communities to improve bush fire management and fire behaviour in plantations;
- Conducted a farm forestry and property management planning field day at Blessington to promote sustainable land use, native forest management, integrated plantations and conservation;
- Assisted *Australian Forest Growers* conduct a field day in the Central Highlands to promote sustainable native forest management, conservation covenants and eucalypt plantation management;
- Provided information to *Australian National University* forestry students and assisted with their field tour in June; and
- Assisted *University of Melbourne* identify and contact landholders to participate in a study concerning community perceptions of forests in the landscape.

Chapter Five: Trees in land management for environmental benefits

One of the objectives of PFT as set out in the *Private Forests Act 1994* is “to foster the use and values of trees in sustainable land management”. This environmental objective remained a significant focus of PFT’s work during the year by the provision of advice on the establishment and management of native vegetation, shelterbelts and landscape planning to farmers, schools, councils and various community groups.

While in the broadest sense all of PFT’s activities could be regarded as focused on the use and application of “trees in land management” the separation of this component of PFT’s work into a specific activity recognises the true environmental focus of the activities involved. The activities are wide-ranging and importantly include a considerable focus on educating school students on the benefits that accrue to our community by the integration of commercial and noncommercial vegetation types into our environment.

During the year PFT initiated or participated in the following activities in this regard.

Direct seeding

Weather conditions have been much more conducive for direct seeding using the Shelter-Seeder during the 2009-10 year. The “long dry” experienced in the Northern Midlands ended with good spring rains setting excellent sowing conditions for the Autumn. Needless to say this also provided for good conditions for competing weeds, and control of these continues to be the most important task confronting landowners when considering the direct seeding process. Work on the Old Mill Dam site at Longford in conjunction with the NRM North Midlands Project which had been postponed due to low flooding, was finally sown in Autumn 2010, only to be flooded again in the Winter. These sites are in desperate need of bank stabilisation, and yet they are the most difficult to rehabilitate.

Planning commenced for the direct seeding project for 2010-11 with strong interest for such works.

Heritage Forest

PFT continued to be represented on the *Heritage Forest Advisory Committee*. Heritage Forest stands on a reclaimed refuse site at Invermay. Several Launceston schools have again been involved in community tree-planting projects in the forest and the Launceston City Council continues to maintain the surrounds of the *Eucalyptus* arboretum within the Heritage Forest precinct. Planning for improved signage is underway.

Education

Schools continued to benefit from the expertise of PFT, with visits to primary and secondary schools, both public and private. Themes have been mainly aligned to the schools’ environment curriculum, with seed collection, storage and germination, high on the list.

Natural Resource Management (NRM) Committees

A close liaison is maintained with regional NRM bodies and sub-regional NRM facilitators. PFT is represented on the NRM North Association, NRM South, Cradle Coast NRM, Tamar NRM Reference Group and Management Committee and Technical Group, and both Meander Valley and Dorset NRM groups.

Chapter Six: The regulatory regime

Forestry operations or practices on all land in Tasmania are subject to the regulatory regime created by the *Forest Practices Act 1985*, regulations to the Act, the Forest Practices Code created under the Act, and administrative instructions issued by the Forest Practices Authority.

There are a number of Acts, and associated regulations, that regulate other aspects of forestry as a land use including:

- *Aboriginal Relics Act 1975*
Provides for the identification and protection of all Aboriginal relics (sites);
- *Environmental Management and Pollution Control Act 1994*
Establishes duty of care on everyone to prevent or minimise environmental harm;
- *Fire Service Act 1979*
Provides for the control and use of fire in the urban and rural environment;
- *Historic Cultural Heritage Act 1995*
To identify, assess and protect historic (post-settlement) cultural heritage;
- *Land Use Planning and Approvals Act 1993*
Establishes the Resource Management and Planning System for Tasmania and local government planning schemes that regulate land use and development;
- *Nature Conservation Act 2002*
Provides for the conservation management of scheduled threatened native vegetation communities;
- *Threatened Species Protection Act 1995*
Provides for the conservation management of scheduled threatened species of flora and fauna; and
- *Weed Management Act 1999*
Management of weed control.

There is a second set of Acts, regulations and Codes of practices that regulate directly various activities, the important instruments being the:

- *Agricultural and Veterinary Chemicals (Control of Use) Act 1995*
Regulating chemical use and applications; and
- *Workplace Health and Safety Act 1995*

In addition, there are a number of Agreements between Australian and State governments, and policies created under legislation, or otherwise, that regulate forestry as a land use. The most significant are:

- 1997 Tasmanian Regional Forest Agreement
A legally binding 20 year agreement, with a five- yearly review period, that applies to all of Tasmania and provides specific actions which create a balance between the environmental, social, economic and heritage values found in forested areas;
- 2005 Tasmanian Community Forest Agreement
A supplement to the RFA by increasing the reserve system and revitalising the timber industry;
- State policy on the Protection of Agricultural Land 2009
This policy created under the *State Policies and Projects Act 1993*, aims to foster sustainable agriculture in Tasmania by ensuring the continued productive capacity of the State's agricultural land resource; and

- Permanent Native Forest Estate Policy 2009
Sets threshold levels for the maintenance of a permanent native forest estate by forest communities at both the bioregional and State levels.

The Private Forests Act 1994 also contains some regulatory-type powers impacting on private forest growers, such as the Private Forest Service Levy.

Changes to the regulatory regimes in 2009-10 include a revised State policy on the Protection of Agricultural Land 2009 which came into force in September 2009, and the Permanent Native Forest Estate Policy 2009, issued in December 2009.

Under the revised Protection of Agricultural Land 2009 policy, new plantation forestry must not be established on prime agricultural land unless a planning scheme reviewed in accordance with this Policy provides otherwise. Planning scheme provisions must take into account the operational practicalities of plantation management, the size of the areas of prime agricultural land, their location in relation to areas of non-prime agricultural land and existing plantation forestry, and any comprehensive management plans for the land.

The original 2007 Permanent Native Forest Estate Policy has been changed to provide an orderly phase out of broad-scale conversion on private land by 2015, while maintaining the Policy commitment to maintain the state-wide level of native forest above 95 per cent of the 1996 area.

Private Timber Reserves

The concept of Private Timber Reserves (PTRs) was created by parliament in 1985 to enable landowners to have their land dedicated for long-term forest management. The legislation provides that forestry activities on the land are subject to a single, consistent, state-wide system of planning and regulation through the *Forest Practices Act 1985*, rather than to variable systems that may be applied under different planning schemes through the *Land Use Planning and Approvals Act 1993*.

Details on PTR applications during 2009-10 and to-date progressive totals are summarised below.

Period	1 July 2009 to 30 June 2010	Progressive total to 30 June 2010*
Applications advertised	62	2,123
Applications approved by the Board of the Forest Practices Authority	73	2,054
Private timber reserves revoked	29	189
Total area gazetted (hectares)	7,949	458,328

*Progressive total contains adjustments to figures in previous periods. Progressive totals are adjusted primarily because original applications to declare areas as private timber reserves have been followed in later years with an application to revoke part or all of the area declared as a private timber reserve. When a part of a private timber reserve is revoked the original application is split and recorded as two applications in the database, hence inflating the progressive totals of the numbers of applications approved by the Board of the Forest Practices Authority and the number revoked.

The total area gazetted during 2009-10 was 7,949 hectares. The average area gazetted annually since the first year of gazettal (1988-89) to the present, is 21,178 hectares. The overall current area of private timber reserves only increased by 296 hectares in 2009-10. During 2009-10 the areas declared as private timber reserves (7,949 hectares) was largely offset by areas revoked in the same period. During 2009-10 private timber reserves, declared in earlier periods, covering large areas of native forest, have been revoked and those forest areas are now subject to conservation covenants.

The average processing time of 100 days from receipt of an application until forwarding to the Forest Practices Authority, is higher than the five year (2004-05 to 2008-09) average processing period of 67 days. Private Forests Tasmania prepares Recommendation Reports on PTR applications, together with an agenda item for the Board of the Forest Practices Authority (FPA). In 2009-10 the Board of the FPA cancelled a meeting hence delaying consideration of PTR applications scheduled for that meeting to a later date and inflating the average processing time. Changed Board meeting dates also inflated the processing time.

In addition, for seven applications there was an extended period for processing as additional information was required to be supplied by the applicant. These applications were submitted by a forestry company where staff changes within the company, and the company subsequently entering administration, delayed the provision of the additional information required. The average processing time for these seven applications was 228 days. If these seven applications are excluded from the calculation of average processing time, the average processing time for all other applications would be 82 days a slight increase on the 2008-09 figure.

Year	Applications received	Average processing time (days)*
2005 – 2006	70	61
2006 – 2007	64	63
2007 – 2008	78	66
2008 – 2009	61	79
2009 – 2010	71	100

* It should be noted that the average processing time includes a 30 day objection period. Only a 28 day objection period is required under the *Forest Practices Act 1985*.

Period	Annual area gazette (hectares)	Progressive total (hectares)
1994–1995	6,524	168,212
1995–1996	36,037	204,249
1996–1997	38,620	242,869
1997–1998	40,800	283,669
1998–1999	6,190	289,859
1999–2000	23,813	313,672
2000–2001	11,570	325,242
2001–2002	31,813	357,055
2002–2003	14,370	371,425
2003–2004	5,783	377,208
2004–2005	26,101	403,309
2005–2006	22,590	425,899
2006–2007	9,261	430,019
2007–2008	12,709	441,734
2008–2009	17,758	457,793
2009–2010	7,949	458,328

Private Forest Service Levy

PFT is empowered to raise funds from private forest landowners through the Private Forest Service Levy. It is calculated on the nett area of a forest operation permitted pursuant to the certification of a Forest Practices Plan. Landowners have six months from the date of certification of their Forest Practices Plan in which to pay the levy.

Pursuant to the provisions of Section 25I of the *Private Forests Act 1994*, by 30 June each year the Minister must determine the levy rate for the financial year commencing 1 July of that year.

The Minister must determine the rate after consulting with forest owners' organisations. On the recommendation of the Board of PFT, the Minister again set the rate at \$14 per hectare for 2009-10. On 28th June 2010, the Minister set the rate for the 2010-11 year at \$14 per hectare, representing the tenth straight year the rate would remain unchanged.

The levy was introduced as a means of securing significant private sector funding contributions to support the operations of Private Forests Tasmania. The introduction of the levy was negotiated with the Forest Industries Association of Tasmania and the Tasmanian Farmers and Graziers Association.

The levy generated \$252,392 during 2009-10. Over the course of the past five years the levy has generated an average yearly income of \$412,507, as the table below indicates.

Financial year	Income generated from the private forest service levy
2005-06	\$472,015
2006-07	\$431,725
2007-08	\$440,474
2008-09	\$465,931
2009-10	\$252,392
5-year average	\$412,507

Note: since the Private Forest Service Levy was introduced in 2001-02, the average annual return over this 9 year period is \$374,024.

Chapter Seven: Administration and Finance

Board of Directors

The Board of Directors consists of the Chief Executive Officer, and five Directors appointed by the Minister. Directors other than the CEO are appointed pursuant to Part 3 of the *Private Forests Act 1994* and the powers, functions, responsibilities and operating procedures of the Board are set out in that Part and Schedules 2 and 3 to the Act. By resolution of the Board, meetings were held monthly.

Chairman: Mr Ian Dickenson AO

Members:

Member with practical knowledge of, and experience in, industry, commerce or economic development: Mr John Lord, from 9 October 2006 to 8 October 2011

Member representing industrial private forest growers: Mr Bryan Hayes, from 1 July 2005 to 14 August 2010

Members representing non-industrial private forest growers: Mr Ian Dickenson AO, from 1 July 2005 to 14 August 2010; Mr Brett Hooper, from 9 October 2006 to 8 October 2011

Member with expertise in forest or related sciences: Mr Mark Leech, from 1 July 2007 to 30 June 2012

Chief Executive Officer: Mr Tom Fisk, from 15 June 2009 to 14 June 2014

Mr Ian Dickenson AO

Member representing non-industrial private forest growers.

Director of Elverton Pastoral Pty Ltd.; Executive Member of Forests and Forest Industry Council of Tasmania; Committee member TFGA Environmental Policy Council; Vice-Chair TAMAR NRM Reference Group.

Ian utilises a whole farm planning approach on his property incorporating a wide range of agricultural activities, and plantation and native forest management practices. Good land management and water conservation are essential to Ian's successes.

Mr John Lord LL.B, FCA, FTIA, MAICD

Member with practical knowledge of, and experience in, industry, commerce or economic development.

John is Chairman of Tasmanian Irrigation Development Board; Chairman of Crisp Bros and Haywards Group; and a former Chairman of Transend Networks Pty Ltd and Toosey Ltd. John is also a former solicitor and chartered accountant.

John and his wife Diana are farmers and private foresters. They were the Australian Forest Growers Tasmanian Treefarmer of the Year in 2005 and won the AFG National Treefarmer of the Year Award in 2006.

Mr Bryan Hayes B.Bus. (Admin.), M.I.F.A.

Member representing industrial private forest growers.

General Manager, Forest Products, Gunns Limited; Member of Forest Industries Association of Tasmania Hardwood Committee; Director of Forest Education Foundation.

Bryan has worked in the forestry industry for over 35 years with experience in harvesting, safety, forest management, forest policy, manufacturing and general business management. Current responsibilities include sales and marketing of forest products into international markets thereby providing current knowledge of market developments.

Mr Brett Hooper Dip. Farm Management (MOFAC)

Member representing non-industrial private forest growers.

Chairman TFGA Forestry Committee; Chairman Tamar Valley Weed Strategy; Secretary TFGA Tamar Valley Branch; Member Tamar Natural Resource Management Group.

Brett is a primary producer in partnership with his wife, Elizabeth, at Mt Direction, managing cattle, sheep and forestry.

Mr Mark Leech B.Sc. (Forestry), M.I.F.A.

Member with expertise in forest or related sciences.

Director of the Forest Practices Authority to 31st January 2009; Winner 2001 Tasmanian World Forestry Day Award.

Mark is a former regional private forester with PFT and is currently a consultant specialising in private forestry. He has a particular interest in special timbers management and is also passionately involved in humanitarian work in Africa and the Philippines.

Mr Tom Fisk B.Sc. (Forestry) (Hons.1)

Chief Executive Officer of PFT, 15 June 2009 – 14 June 2014.

Tom completed his studies at ANU Forestry School in 1976 and has subsequently worked in the forestry industry for over 30 years. He has worked in a variety of forestry roles including research, operational management, business development, industry engagement and consulting at the ANU, Conservation Commission of the NT, APPM / North Forest Products (Tas) and the CRC for Forestry (Tas). He has also spent a period of time outside the forestry industry owning and operating a small business in Hobart.

Private Forests Tasmania Organisation Chart June 2010

Minister for Energy and Resources
Hon Bryan Green MP

Private Forests Tasmania Board
Ian Dickenson AO, John Lord, Bryan Hayes, Brett Hooper,
Mark Leech, Tom Fisk

Department of Infrastructure Energy and Resources
Norm McIlfratrick

Chief Executive Officer
Tom Fisk

PFT business development; business management; stakeholder engagement; representative on committees and councils

Agency Responsibilities
Jeff Battersby

- Agency Policies
- Financial Management
- Human Resources Management
- Occupational Health and Safety

Farm Forestry Issues
Arthur Lyons

- Australian Forest Growers
- Farm Forestry Organisations
- National Action Plan for Salinity and Water Quality
- National Farm Forestry Coordination
- National Landcare Program
- Natural Heritage Trust
- Natural Resource Management Development
- Natural Resource Management North

Forest Inventory & Research
Vacant

- Blackwood Industry Group
- Cradle Coast Natural Resource Management
- Forest Practices Advisory Council
- Inventory and Resource Data
- Pruned Stand Certification
- Tas Plantation Group

Policy Issues
Peter Taylor

- Australian Forestry Standard
- Inter-departmental Committees
- Natural Resource Management South

Administration

Wendy Bowman
Diana Hall
Tracey King

**Plantation and Native Forest
Advisors**

David Bower
Henry Chan
Peter Lockwood
Rob Smith
Gordon McCutchan

Geographic Information Systems

Phil Donnelly
GIS Officer (vacant)

**Trees in Land Management
Advisor**

Mike Castley

**Projects
(Fixed- term staff)**

Human resource management

Staff

Permanent and fixed-term (project) officers undertake the functions of the Authority and work from three offices located in Hobart, Launceston and Camdale. These officers work closely with private landowners and major stakeholders.

Staff by category 30 June 2010

Administration	6
Regional Private Foresters	2
Private Forest Advisors	5
GIS Officers	1
Project Officers (externally-funded)	0
Total	14

Staff by gender 30 June 2010

	Male	Female
Permanent	11	3
Project – fixed term	0	0
Total	11	3

Occupational health and safety and managing diversity

The Authority is committed to maintaining high standards of performance in respect to occupational health and safety, and equal employment opportunity. All employees are expected to participate in maintaining safe working conditions and practices, and to promote and uphold the principle of fair and equitable access to employment/promotion, personal development and training, and the elimination of workplace harassment and discrimination.

There was one worker's compensation claim submitted in 2009-10, with no lost time due to injury.

Occupational Health and Safety training and activity

- First Aid
- Occupational Health and Safety Committee

Staff training and professional development

During 2009-10 PFT staff were involved in professional development courses and attendance at conferences:

- Leadership and Development
- Farm Forestry Toolbox Training
- Tree Decline Management Toolbox
- Timber Communities Australia Conference
- Forest Hydrology
- LiDAR in Forests – Laser Scanning in Forests
- ANZLIC Spatial Resources Workshop
- Landscape Logic seminar

- Understanding the socioeconomic impacts of the plantation industry
- Australian Forest Growers Policy Forum

Representing PFT and private forest owners

During 2009-10 PFT staff represented PFT and the interests of private forest owners by consulting with or being representatives on:

State

CSIRO Forest Products
Forest Industries Association of Tasmania
Forest Practices Advisory Council (representative)
Forestry Co-operative Research Centre
Forests and Forest Industry Council of Tasmania (representative)
Natural Resource Management Committees (representatives)
Tourism/Forestry Protocol Committee (representative)
Vegetation Management Policy Advisory Group (representative)
Tasmanian Farmers and Graziers Association
Tasmanian Government Spatial Committee

National

Australian Forest Growers (member)
Australian Plantation Products and Paper Industry Council
Primary Industries Ministerial Council Standing Committee - Forestry and Forest Products Committee (representative)

Superannuation declaration

I, Tom Fisk, hereby certify that Private Forests Tasmania has met its obligations under the *Superannuation Guarantee (Administration) Act 1992 (Cw'lth)* in respect of any employee who is a member of a complying superannuation scheme to which PFT contributes.

T Fisk
Chief Executive Officer
30 June 2010

Freedom of information requests

During the 2009-10 year PFT received one request under the *Freedom of Information Act 1991*.

Public interest disclosure

The *Public Interest Disclosures Act 2002* came into effect on 1 January 2004. The purpose of the Act is to encourage and facilitate the making of disclosures about the improper conduct of public officers or public bodies.

The Authority is committed to the aims and objectives of the Act. The Authority also recognises the value of transparency and accountability in our administrative and management practices. The Authority supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

The Authority does not tolerate improper conduct by our employees, nor the taking of reprisals against those who come forward to disclose such conduct. The Authority will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. The Authority will also afford natural justice to any person who is the subject of a disclosure.

During 2009-10 there were no Public Interest Disclosure reports.

Legislation administered by Private Forests Tasmania

The Department of Infrastructure, Energy and Resources is responsible for administering the *Private Forests Act 1994*.

PFT undertakes the functions of this Act and has delegated authority under the *Forest Practices Act 1985* to undertake processing of Private Timber Reserve applications.

Statement of corporate intent

Corporate plan 2009-11 prepared to fulfill, in part, requirements of section 19D of the *Private Forests Act 1994*

The vision statement

That the Tasmanian private forestry sector is well-informed, respected, sustainable, environmentally sound and major driver in the Tasmanian economy, and operates in a collaborative and communicative manner, utilises best-practices approaches and be at the forefront of the adoption of appropriate technologies, and works within a sound regulatory environment.

This vision statement is for the Tasmanian private forestry sector. Various individuals, private and public organisations fulfil various roles or missions, who together seek to achieve this vision.

Our mission

The mission of Private Forests Tasmania, as a government authority, is to facilitate the sustainable management of native forests and plantations on private land in Tasmania by –

- providing advice and information to governments and forest owners;
- working collaboratively to ensure the adoption of best practices; and
- supporting a sound regulatory environment.

Strategic actions

The six strategic actions are adopted for the period 2009-11. These actions support the Mission statement:

- Provision of advice to all levels of Government on matters affecting the private forestry sector;
- Provision of advice to the private forest sector to ensure sound stewardship of the private forest estate;
- Maintain role as independent authority providing accurate and timely advice on private forest matters to stakeholder, including growers, processors and the community;
- Maintain a leadership role in forest data collection and analysis of the private forest estate;
- Provision of extension services to enable private forest owners to continuously improve the management of forests; and
- Act under delegation from the Forest Practices Authority to administer the private timber reserve application process.

Clarification of terms used in strategic action statements.

Private forestry sector – includes growing, management, harvesting, processing and marketing of wood and non-wood products.

Private forest estate – includes native forest in all its growth stages, plantations, and farm forestry plantings - for example, woodlots, shelter plantings and riparian plantings - occurring on private land.

All levels of government – local, state and Commonwealth, and any regional bodies created by governments.

Extension service – planned program for land owners and the community on a wide range of topics, including native forest management, plantation management, forest practices, forest auditing and stewardship.

Strategic actions, outcomes and performance measures

In this table links between individual strategic actions, outcome and performance measures are detailed.

Strategic action	Outcome	Measures
Provision of advice to all levels of Government on matters affecting the private forestry sector.	To ensure all decision-making affecting the private forestry sector is well-informed.	<ul style="list-style-type: none"> • Quarterly meetings with relevant Minister. • Number of presentations or other representations, made to government (State, local, Commonwealth, on matters relating to private forestry sector – 6. • Number of publications and reports provided to key personnel in government on an annual basis – 5.
Provision of advice to the private forestry sector to ensure sound stewardship of the private forest estate.	Increased proportion of the private forest estate being formally recognised as being managed on sound stewardship basis.	<ul style="list-style-type: none"> • Increase of area (increase in the % of total area of private forest estate) declared private timber reserve. • Increase of area (increase in the % of total area of private forest estate) under a forest certification scheme.
Maintain role as independent authority providing accurate and timely advice on private forest matters to stakeholders, including growers, processors and the community.	To ensure stakeholders are well-informed on all private forest matters.	<ul style="list-style-type: none"> • Production and distribution of quarterly bulletin. • Active participation in 25 relevant community engagement forums. • Number of requests for advice and assistance.
Maintain a leadership role in forest data collection and analysis of the private forest estate.	To maintain an accurate and up to date forest area inventory, in collaboration with forest owners. To ensure inventory able to be used to inform decision-making.	<ul style="list-style-type: none"> • Review of future wood supply – complete 2009-10. • % of private forest estate where forest cover updated – 25%.
Provision of extension services to enable private forest owners to continuously improve the management of forests.	To ensure, in a planned and measured manner, private forest owners gain skills and knowledge to enable them to continuously improve the management of their forest.	<ul style="list-style-type: none"> • Percentage of projects meeting milestones.
Act under delegation from the Forest Practices Authority to administer the private timber reserve application process.	To ensure applications are accepted, processed and presented to the FPA in a timely and efficient manner and in accordance with the requirements of the Act.	<ul style="list-style-type: none"> • 95% of applications processed (application accepted to recommendation to FPA) within 3 months. • 95% of applications gazetted within 2 months of FPA recommendation.

Financial Statements

For the year ended 30 June 2010

PRIVATE FORESTS TASMANIA

STATEMENT BY DIRECTORS

In the opinion of the Directors of Private Forests Tasmania:

(a) the financial statements are drawn up so as to give a true and fair view of the results and cash flows for the year ended 30 June 2010 and the state of affairs at 30 June 2010 of Private Forests Tasmania;

(b) the accounts are drawn up in accordance with the provisions of the *Private Forests Act 1994*;

(c) as at the date of this statement, there are reasonable grounds to believe that the Authority will be able to pay its debts as and when they fall due.

The financial statements are drawn up in accordance with the applicable Australian Accounting Standards including Australian Accounting Interpretations.

Signed in accordance with a resolution of the Directors.

I Dickenson
Chairperson

T Fisk
Chief Executive Officer

11/ 08/ 2010

11/ 08 / 2010

COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	NOTES	2010 \$'000	2009 \$'000
Revenue and other income from transactions			
Appropriation revenue - recurrent		1,347	1,311
Commonwealth Grants	15	270	43
Industry contributions		0	67
Private Forest Service Levy		252	466
Interest on investments		56	106
Interest on pine loans		23	21
Private Timber Reserve Fees		30	49
Other		108	71
Total Revenue and other income from transactions		2,086	2,134
Expenses from transactions			
Employee entitlements		1,255	1,194
Motor vehicle & travel		99	139
Depreciation and amortisation		198	163
Directors allowances & expenses	9	117	143
Interest on pine loans		16	21
Devolved grant to landowners		0	92
Seedlings & materials		0	12
Consultancies & contractors		7	36
Office rental		149	154
Provision for impairment	2	21	58
Loss on disposal	3.1	0	3
Communication & information technology		115	119
Other		184	304
Total expenses from transactions		2,161	2,438
Net result from transactions (net operating balance)		<u>(75)</u>	<u>(304)</u>

The Comprehensive Income Statement is to be read in conjunction with the accompanying notes to the financial statements

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010**

	NOTES	2010 \$'000	2009 \$'000
CURRENT ASSETS			
Cash & cash equivalents		1,481	1,197
Receivables	2	386	546
TOTAL CURRENT ASSETS		<u>1,867</u>	<u>1,743</u>
NON-CURRENT ASSETS			
Property, plant & equipment	3	263	404
Receivables	2	202	294
TOTAL NON-CURRENT ASSETS		<u>465</u>	<u>698</u>
TOTAL ASSETS		<u>2,332</u>	<u>2,441</u>
CURRENT LIABILITIES			
Creditors and accrued expenses	4	56	48
Provisions	5	236	235
Borrowings	6	31	33
TOTAL CURRENT LIABILITIES		<u>323</u>	<u>316</u>
NON-CURRENT LIABILITIES			
Borrowings	6	815	878
Provisions	5	47	25
TOTAL NON-CURRENT LIABILITIES		<u>862</u>	<u>903</u>
TOTAL LIABILITIES		<u>1,185</u>	<u>1,219</u>
NET ASSETS		1,147	1,222
EQUITY			
Accumulated Surplus (Deficit)		1,147	1,222
TOTAL EQUITY		<u>1,147</u>	<u>1,222</u>

The Statement of Financial Position is to be read in conjunction with the accompanying notes to the financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010**

	2010	2009
	\$'000	\$'000
Accumulated Surplus		
Balance at the beginning of the financial year	1,222	1,526
Increase (decrease) in net assets resulting from operations	<u>(75)</u>	<u>(304)</u>
Balance at the end of the financial year	<u>1,147</u>	<u>1,222</u>

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes to the financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010**

	NOTES	2010 \$'000	2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		562	730
Cash receipts from government		1,617	1,476
Interest received		61	107
GST received from Taxation Authority		<u>72</u>	<u>139</u>
Total Cash Received		2,312	2,452
Payments to suppliers and employees		(1,924)	(2,259)
GST Paid to Taxation Authority		<u>(59)</u>	<u>(153)</u>
Total Cash Used		<u>(1,983)</u>	<u>(2,412)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	11	329	40
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of equipment		<u>(57)</u>	<u>(239)</u>
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(57)	(239)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan repayments		98	44
State Government loans repaid		<u>(86)</u>	<u>(35)</u>
NET CASH FLOWS USED IN FINANCING ACTIVITIES		12	9
NET INCREASE (DECREASE) IN CASH HELD		284	(190)
Cash at the beginning of the financial year		1,197	1,387
CASH AT THE END OF THE FINANCIAL YEAR		<u>1,481</u>	<u>1,197</u>

The Statement of Cash Flows is to be read in conjunction with the accompanying notes to the financial statements.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements are required by Part 5A, clause 32B of *the Private Forests Act 1994*. This financial report is a general purpose financial report that consists of an Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, and notes accompanying these financial statements. The general purpose financial report has been prepared in accordance with:

- Australian Accounting Standards, including Australian Accounting Interpretations; and
- Other authoritative pronouncements of the Australian Accounting Standards Board.

Financial report complies with AIFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Some Australian equivalents to IFRSs contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements.

The following standards have been applied for the first time in the 2008-09 reporting year.

Standard	Title	Application Date *	Impact
AASB 1004	Contributions	1 July 2008	This Standard broadly reproduces the requirements relating to contributions contained in AAS 27, there has been no direct impact on the financial report.

The following standards and amendments were available for early adoption but have not been applied by the Authority in the financial statements:

Standard	Title	Application Date *	Impact
AASB 2007-8 & 2007-10	Amendments to Australian Accounting Standards arising from AASB 101 presentation of Financial Statements	1 January 2009	No material financial impact is anticipated as the accounting standard is concerned with presentation requirements.
AASB 123	Borrowing Costs	1 January 2009	Initial application is not expected to have an impact on the Authority's financial results as the transitional provisions of the standard do not require retrospective application.

* Annual reporting periods beginning on or after

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

This financial report has been prepared on the accrual and going concern basis and in accordance with the historical cost convention, except where specifically stated.

Assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured.

Revenues and expenses are recognised in the Income Statement when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Capital Management

The Authority manages its capital to ensure that it will be able to continue as a going concern. This management of capital, including reserves, is determined by the receipt of recurrent funding from consolidated revenue and the setting of fees and charges to ensure adequate revenue is raised to cover anticipated expenditure.

The capital structure of the Authority consists of cash and cash equivalents and equity. The Authority is subject to borrowing limits established under the *Private Forests Act 1994*.

Operating cash flows are used to maintain and expand the Authority's property plant and equipment as well as to meet routine recurrent expenditure.

There were no changes in the Authority's approach to capital management during the year.

Judgements and Assumptions

Judgements made by management in the application of AIFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

(b) Revenue

Interest revenue is recognised when it is received or can be reliably measured in the period to which it relates. Revenue from the provision of goods and services is recognised upon the delivery of goods and services to clients. Government appropriations are recognised as revenue when the Authority has control of the funds.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

Impairment – Financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that there are any financial assets that are impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative affect on the estimated future cash flows of that asset.

An impairment loss, in respect of a financial asset measured at amortised cost, is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in the Income Statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the income statement.

(c) Employee Entitlements

Leave

The liability for employee entitlements includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Authority is estimated to be less than the annual entitlement for sick leave.

The liability for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 2010 and is recognised at the rates the Authority expects to pay including on-costs (superannuation and payroll tax).

Long service leave where employees have at least 9 years service is shown as a current liability and is measured at future wage rates including relevant employee on-costs (superannuation and payroll tax). Remaining long service leave is measured at the present value of expected future payments (including relevant employee on-costs) to be made in respect of service provided by employees up to balance date. Consideration is given, when assessing future payments to expected future departures and wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using the appropriate indicative mid-rates on selected Commonwealth Government Securities.

Superannuation

New public sector superannuation arrangements, commencing on 1 July 1994, were introduced with the proclamation of the *Retirement Benefits Act 1993*. One consequence of this Act is that superannuation arrangements previously covered by the Retirement Benefits and Superannuation Accumulation Funds, as well as the Retiring and Death Allowances scheme, are now replaced by one fund, i.e., the Retirement Benefits Fund, and administered by the Retirement Benefits Fund Board.

As the Authority is funded from Consolidated Fund, the Government will assume liability for past, present and future employees. The Authority's superannuation obligation is met by regular remittances to the Department of Treasury and Finance where contributions are held in the Special Deposits and Trust Fund. Consequently, a provision for superannuation is not included in the financial statements.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

(d) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with a bank and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables are recognised with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet. Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(f) Property, Plant and Equipment

Acquisition

All acquisitions of assets are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to acquisition.

Impairment Amount

The carrying amount of all non-current assets are reviewed at least annually and are not stated at amounts in excess of their impairment amount. Except where stated, impairment amounts are not determined using discounted cash flows. All non-financial assets are assessed to determine whether any impairment exists. Impairment exists when the recoverable amount of an asset is less than its carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use.

All impairment losses are recognised in Income Statement.

Depreciation

Depreciation is calculated on a straight-line basis to write off the net cost of items of property, plant and equipment over their expected useful lives. The expected useful lives are:

Furniture, Equipment, software and satellite imagery	3 – 15 years
--	--------------

Assets are depreciated from the date of acquisition.

Valuation

The Authority has adopted the cost basis for the valuation of property, plant and equipment.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

(g) Credit Standby Arrangements

A Visa Card facility of \$20,000 was available to the Authority as at 30 June 2010. As at that date, \$32 was outstanding.

(h) Income Tax Equivalent

Private Forests Tasmania is not required to pay an income tax equivalent.

(i) Rounding

Amounts have been rounded to the nearest \$1,000.

(j) Private Forests Tasmania

Private Forests Tasmania was established on 1 July 1994 as a statutory authority by the *Private Forests Act 1994*. It is not required to pay guarantee fees, tax-equivalent payments or to pay a dividend to the Tasmanian government.

Private Forests Tasmania has taken over the assets, liabilities, functions and responsibilities previously managed by the Private Forestry Division of the former Forestry Commission. This is in accordance with Sections 6 and 7 of Schedule 5 to the *Private Forests Act 1994*, which provides for Private Forests Tasmania to take over matters covered by Division II of Part IIA, and, Part IIB of the *Forestry Act 1920*.

The objective of the Authority is to facilitate and expand the development of the private forest resource in Tasmania in a manner which is consistent with sound forest land management practice.

The Authority is dependent on appropriations from the Parliament of Tasmania and external funds for its continued existence and ability to carry out its normal activities.

The Authority employed 14 staff at 30 June 2010 (16 at 30 June 2009).

2. RECEIVABLES	2010	2009
	\$'000	\$'000
<i>Current</i>		
Trade Debtors	367	483
Less: provision for impairment	<u>(79)</u>	<u>(58)</u>
	288	425
Accrued Revenue	17	35
GST Debtor	0	14
Prepayments	5	6
Loans for private forestry	<u>76</u>	<u>66</u>
Total current receivables	386	546
<i>Non-current</i>		
Loans for private forestry	<u>202</u>	<u>294</u>
Total non-current receivables	202	294

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

3. PLANT AND EQUIPMENT

Property Plant and Equipment Movement

Item	Plant/ Equipment & Other		Office Equipment		Total	
	\$'000		\$'000		\$'000	
	2009	2010	2009	2010	2009	2010
Gross Value at 1 July	356	589	412	253	768	842
Additions-Purchase of Assets	233	57	6	0	239	57
Disposals	0	0	(165)	0	(165)	0
Gross Value at 30 June	589	646	253	253	842	899
Accumulated Depreciation/ Amortisation at 1 July	107	229	330	209	437	438
Depreciation/amortisation charge for the year	122	173	41	25	163	198
Accum Dep - Disposals	0	0	(162)	0	(162)	0
Accumulated Depreciation/ Amortisation at 30 June	229	402	209	234	438	636
Net Book Value as at 30 June	360	244	44	19	404	263

3.1 Loss on Disposal	2010 \$'000	2009 \$'000
Accumulated depreciation	0	162
Cost	0	(165)
Loss on disposal	0	(3)

4. CREDITORS AND ACCRUED EXPENSES

Trade creditors	7	23
Accrued expenses	36	25
GST Payable	<u>13</u>	<u>0</u>
Total Creditors & Accrued Expenses	56	48

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

5. PROVISIONS	2010	2009
	\$'000	\$'000
<i>Current</i>		
Employee entitlements:		
Annual leave	82	87
Long service leave	141	135
On-costs	<u>13</u>	<u>13</u>
	236	235
<i>Non-current</i>		
Employee entitlements:		
Long service leave	44	23
On costs	<u>3</u>	<u>2</u>
	47	25
Total Provisions	260	260
6. BORROWINGS		
<i>Current</i>		
Tasmanian Government	31	33
<i>Non-current</i>		
Tasmanian Government	<u>815</u>	<u>878</u>
Total Borrowings	846	911
7. AUDITORS REMUNERATION		
Amounts received or due and receivable by the auditors	13	9

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

9. DIRECTORS' REMUNERATION	2010 \$'000	2009 \$'000
Amounts received or due and receivable by the Directors of the Authority.	117	143
Total remuneration paid to non-executive Directors of Private Forests Tasmania fall within the following bands:		
\$1,000	\$9,999	1
\$20,000	\$29,999	3
\$30,000	\$39,999	1
Remuneration for the Chief Executive Officer falls in the following band:		
\$120,000	\$140,000	1

10. RELATED PARTIES

Directors

The Directors of the Authority during the year were Mr Brett Hooper (9/10/2006 to 8/10/2011), Mr John Lord(9/10/2006 to 8/10/2011), Mr Ian Dickenson (15/8/05 to 14/8/2010), Mr Bryan Hayes (15/8/2005 to 14/8/2010), Mr Mark Leech (1/7/2007 to 30/6/2012) and Mr Tom Fisk, Chief Executive Officer (15/6/2009 to current).

Where applicable, the Authority conducts business with all of the Directors on the same terms and conditions as those entered into with other individuals and organisations. During the financial year there were no financial transactions with Directors.

11. CASH FLOW RECONCILIATION

Reconciliation of Operating (deficit) to Net Cash from Operating Activities

Net operating surplus (deficit)	(75)	(304)
Depreciation & amortisation	198	163
Change in assets and liabilities:		
Increase (decrease) in provisions	23	6
Increase (decrease) in creditors	(16)	(195)
Increase (decrease) in accrued expenses	11	3
(Increase) decrease in receivables	163	292
(Increase) decrease in prepayments	1	1
Increase (decrease) in loan liabilities	13	13
Impairment loss on assets written off	0	3
(Increase) decrease in other assets	(10)	0
Provision for impairment in receivables	21	58
Net cash provided by operating activities	329	40

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

12. FINANCIAL INSTRUMENTS

Financial Risk Management and Risk Exposures

(a) Risk management policies and processes

The Authority has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk

The Chief Executive Officer has overall responsibility for the establishment and oversight of the Authority's risk management framework. Risk management policies are established to identify and analyse risks faced by the Authority, to set appropriate risk limits and controls, and to monitor risks and adherence to controls.

(b) Credit Risk

Exposures

Credit risk is the risk of financial loss to the Authority if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade and other receivables and cash and investments.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for impairment losses, represents the Authority's maximum exposure to credit risk without taking account of any collateral or other security. The carrying amount of the Authority's financial assets at 30 June 2010 is \$2,064m. The Authority's policy in relation to receivables is summarised below.

Debtors are required to settle their accounts within 30 days of issue of the account. Debtors may apply to the Authority to pay accounts by instalments, subject to approved terms and conditions. Should amounts remain unpaid outside of approved payment options, the Authority may commence collection proceedings.

Impairment Losses

The following table provides an ageing of the Authority's Current trade and loan receivables at the reporting date.

	Gross 2010 \$'000	Impairment 2010 \$'000	Gross 2009 \$'000	Impairment 2009 \$'000
Not past due	109	-	193	-
Past due 0-30 days	51	-	75	-
Past due 31-90 days	20	-	46	-
More than 90 days	262	(21)	235	(58)
	442	(21)	549	(58)

A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

(c) Liquidity Risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its obligations when they fall due.

The Tasmanian Government provided funds via loan agreements for the initial purpose of assisting in the establishment of *Pinus radiata* plantations on private land, and, secondly, for improvements to these plantations. The life span of these loan agreements is 30 years. Plantation owners may defer the repayment of their loan for the first 10 years, thereafter they have 20 years to repay the loan balance. It is noted that interest is capitalised on the loan balance each year during the first 10 years. The current interest rate on the loan is 7%. Loan instalments are raised by the Authority and repayments received each year are then remitted to the Department of Treasury and Finance.

Maturity analysis for financial liabilities

The following tables detail the undiscounted cash flows payable by the Authority by the remaining contractual maturity for its financial liabilities. It should be noted that as these are undiscounted and include estimated interest payments, totals may not reconcile to the carrying amounts presented in the Balance Sheet.

	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total contractual cash flows	Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2010						
Payables	7	0	0	0	7	7
Other liabilities	49	0	0	0	49	49
Interest bearing liabilities						
- Treasury loans	46	41	111	648	846	846
Total	102	41	111	648	902	902
30 June 2009						
Payables	23	0	0	0	23	23
Other liabilities	25	0	0	0	25	25
Interest bearing liabilities						
- Treasury loans	52	52	112	695	911	911
Total	100	52	112	695	959	959

The Authority has not defaulted on or breached the conditions of any loans payable recognised at balance date.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

(d) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates, interest rates and equity prices. The objective of market risk management is to manage and control market risk within acceptable parameters, while optimising the return to the Authority.

The primary market risk that the Authority is exposed to is interest rate risk.

At the reporting date the Authority had the following mix of financial assets and liabilities exposed to variable interest rate risk.

	2010	2009
Financial assets	\$'000	\$'000
Cash at bank and on hand	1,481	1,197
Other financial assets	233	327
<i>Total</i>	<u>1,714</u>	<u>1,524</u>

Financial liabilities		
Interest bearing liabilities	<u>846</u>	<u>911</u>
<i>Total</i>	<u>846</u>	<u>911</u>

<i>Net Total</i>	868	613
------------------	-----	-----

Sensitivity Analysis of the Authority's Exposure to Possible Changes in Interest Rates

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. The analysis assumes all other variables remain constant and was performed on the same basis for 2009.

At 30 June 2010, if interest rates had moved, as illustrated in the table below, profit and equity would have been affected as follows:

	2010	2010	2009	2009
	Profit & Loss	Equity	Profit & Loss	Equity
	\$'000	\$'000	\$'000	\$'000
+ 1% (100 basis points)	6	6	6	6
- 1% (100 basis points)	(6)	(6)	(6)	(6)

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

Net Fair Values and Categories of Financial Assets and Liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Balance Sheet, are as follows:

Fair Values	30 June 2010		30 June 2009	
	Carrying amount \$'000	Fair Value \$'000	Carrying amount \$'000	Fair Value \$'000
Financial assets				
Cash and cash equivalents				
- cash at bank and on hand	1,481	1,481	1,197	1,197
Receivables	288	288	439	439
Other financial assets – loan receivables	278	278	360	360
Accrued revenue	17	17	35	35
	<u>2,064</u>	<u>2,064</u>	<u>2,031</u>	<u>2,031</u>
Financial liabilities				
Payables	7	7	23	23
Interest bearing liabilities	846	846	911	911
Other liabilities	49	49	25	25
	<u>902</u>	<u>902</u>	<u>959</u>	<u>959</u>
Net financial assets / (liabilities)	<u>1,162</u>	<u>1,162</u>	<u>1,072</u>	<u>1,072</u>

Carrying amounts classified as:	30 June 2010 \$'000	30 June 2009 \$'000
Financial assets		
Cash and cash equivalents	1,481	1,197
Loans and receivables	583	834
	<u>2,064</u>	<u>2,031</u>
Financial liabilities		
Financial liabilities measured at amortised cost	902	959
	<u>902</u>	<u>959</u>
Net financial assets / (liabilities)	<u>1,162</u>	<u>1,072</u>

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values. The Authority's interest bearing liabilities represent Treasury loans and are assumed to approximate their fair value.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

13. COMMITMENTS

There were no commitments.

14. HIGH RESOLUTION SATELLITE IMAGERY

The Authority contracted in October 2006 to purchase high-resolution satellite imagery for most of the mainland Tasmania private property. The Authority led a consortium of public and private sector bodies in acquiring this imagery. The Board of Private Forests Tasmania resolved to commit up to \$250,000 from its reserves towards the purchase of imagery. Contributions from other public and private sector consortium members have been aggregated to obtain bulk order processing and acquisition benefits.

As at the 30 June 2010 the Authority has expended \$520,020, comprising funds from all parties, to capture approximately 91% of the target area. The project is now completed with the data being utilised to assist in the update of the private forest estate inventory.

14. SUBSEQUENT EVENTS

There were no subsequent events.

15. GOVERNMENT GRANTS

The Authority was successful in two funding applications submitted during 2009-10.

In the first application, the Authority has been offered \$255,671 to help landowners make well informed decisions about participating in carbon trading and/or offsets schemes for agricultural enterprises, as well as producing wood for the forest industry. The Authority has received \$170,000 in 2009-10 to commence the project. There have been no expenses incurred at 30 June 2010. A significant proportion of the funding will be paid to external service providers to deliver the outcomes of the project.

In the second application, the Authority has been offered \$105,000 to enhance the farm forestry toolbox software it has developed over a number of years. The aim of the project is to include estimating, modeling and management of carbon at the stand and property level for planted forests in the software. The Authority has received \$60,000 in 2009-10 to commence the project. There have been no expenses incurred at 30 June 2010. A significant proportion of the funding will be paid to external service providers to deliver the outcomes of the project.

In summary, the Authority has received a total of \$230,000 which is recognised as income in 2009-10. This amount is included in cash and will be expended during 2010-11 on specific projects.