



NSW DEPARTMENT OF
PRIMARY INDUSTRIES

This document is part of a larger publication and is subject to the disclaimers and copyright of the full version from which it was extracted.

The remaining parts and full version of the publication, as well as updates and copyright and other legal information can be found at:

<http://www.dpi.nsw.gov.au/aboutus/resources/corporate-publications/nsw-dpi-annual-report-2007-08>

Financial Statements 2007-08

Forests NSW and Forestry Commission Division

Forests NSW Consolidated Annual Financial Reports

ABN 43 141 857 613

| | |
|--|-----|
| Statement by Commissioner | 185 |
| Independent Audit Report | 186 |
| Income Statement | 188 |
| Balance Sheet | 189 |
| Cash Flow Statement | 190 |
| Statement of Changes in Equity | 191 |
| Notes to the Financial Statements | 192 |
| Summary of Significant Accounting Policies | 192 |

Forestry Commission Division Annual Financial Reports

ABN 83 326 008 792

| | |
|--|-----|
| Statement by Division Head | 232 |
| Independent Audit Report | 233 |
| Income Statement | 234 |
| Balance Sheet | 234 |
| Cash Flow Statement | 235 |
| Statement of Changes in Equity | 235 |
| Notes to the Financial Statements | 236 |
| Summary of Significant Accounting Policies | 236 |

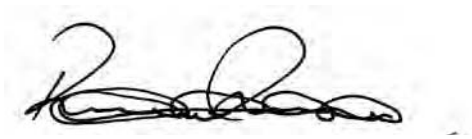
**STATEMENT BY COMMISSIONER
(AS CORPORATION SOLE UNDER SECTION 7 (1) OF THE FORESTRY ACT 1916)**

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

In my opinion, the accompanying financial statements present a true and fair view of the consolidated financial position of the Forestry Commission of New South Wales (trading as Forests NSW) as at 30 June 2008 and the results of its operations and transactions for the year then ended.

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

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



Richard Sheldrake
Director-General of The NSW Department of Primary Industries.
17th December, 2008.



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Forestry Commission of New South Wales (Trading as Forest NSW) and controlled entities

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Forestry Commission of New South Wales (The Commission), which comprises the balance sheets as at 30 June 2008, the income statements, statements of changes in equity and cash flow statements for the year then ended, a summary of significant accounting policies and other explanatory notes for both the Commission and the economic entity. The economic entity comprises the Commission and the entities it controlled at the year's end or from time to time during the financial year.

Qualified Auditor's Opinion

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to satisfy myself as to the valuation of the Biological Assets, the financial report:

- presents fairly, in all material respects, the financial position of the Commission and the economic entity as at 30 June 2008, and of their financial performance and their cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

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

Basis for Qualified Auditor's Opinion

Note 2 (g) (iii) under the heading Native Forest Timber discloses various assumptions relating to the valuation of these forests. I have been unable to obtain sufficient appropriate audit evidence to confirm that these assumptions are statistically reliable to form an opinion on the value of the Native Forest Timber included within Biological Assets. I have been unable to carry out audit procedures to quantify the possible adjustments to the financial report that might have been necessary had this limitation not existed.

My auditor's report for 2007 was similarly qualified for Native Forest Valuation.

Significant Uncertainty Regarding Deferred Tax Liability

Without qualification to the opinion expressed above, I draw attention to Deferred Tax disclosed in Note 2 (d). The Commission intends to obtain a private ruling from the Australian Taxation Office over the deductibility of plantation establishment costs for Biological assets. Until the outcome of this matter is known there is uncertainty over the deferred tax amount included in the non-current liabilities.

Commissioner's Responsibility for the Financial Report

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit except as discussed in the qualification paragraph. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

My opinion does *not* provide assurance:

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

Independence

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

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



Peter Achterstraat
Auditor - General

17 December 2008
SYDNEY

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE, 2008

| | | Economic Entity 2008 \$'000 | Statutory Corporation 2008 \$'000 | Economic Entity 2007 \$'000 | Statutory Corporation 2007 \$'000 |
|---|-------------|--------------------------------------|--|--------------------------------------|--|
| | Notes | | | | |
| Continuing Operations | | | | | |
| Revenue from ordinary activities | | | | | |
| From sales of timber and related activities | 3a | 252 848 | 252 848 | 223 621 | 223 621 |
| Income from investment properties | 3b | 88 | 88 | 108 | 108 |
| From other operating activities | 3b | 40 859 | 40 859 | 46 821 | 46 821 |
| Total Revenue | | 293 795 | 293 795 | 270 550 | 270 550 |
| Less Expenses from Continuing Operations | | | | | |
| Contract harvest & haulage | | 113 038 | 113 038 | 94 306 | 94 306 |
| Contractors | | 15 357 | 15 357 | 12 588 | 12 588 |
| Depreciation | 4a | 10 477 | 10 477 | 10 254 | 10 254 |
| Employee & related | | 29 389 | - | 27 844 | - |
| Personnel services | 23(i),(iii) | 54 136 | 83 525 | 46 019 | 73 863 |
| Materials | | 19 281 | 19 281 | 28 612 | 28 612 |
| Fees | | 10 308 | 10 308 | 9 085 | 9 085 |
| Other | | 4 117 | 4 117 | 7 521 | 7 521 |
| Changes in Fair Value /(Increment) Decrement Biological Assets | 11(a), (c) | (79 959) | (79 959) | 172 641 | 172 641 |
| | | 176 144 | 176 144 | 408 870 | 408 870 |
| Profit / (Loss) from continuing operations before income tax | | 117 651 | 117 651 | (138 320) | (138 320) |
| (Income tax expense)/Loss | 5 | (37 279) | (37 279) | 39 965 | 39 965 |
| Profit/(Loss) after tax from continuing operations | | 80 372 | 80 372 | (98 355) | (98 355) |
| Net Profit/(Loss) for the period | | 80 372 | 80 372 | (98 355) | (98 355) |

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

BALANCE SHEET AS AT 30 JUNE, 2008

| | Notes | Economic Entity 2008 \$'000 | Statutory Corporation 2008 \$'000 | Economic Entity 2007 \$'000 | Statutory Corporation 2007 \$'000 |
|---------------------------------------|----------------|--------------------------------------|--|--------------------------------------|--|
| Current assets | | | | | |
| Cash and cash equivalents | 6 | 11 640 | 11 640 | 5 615 | 5 615 |
| Trade and other receivables | 8 | 40 542 | 40 542 | 42 299 | 42 299 |
| Inventories | 7 | 8 389 | 8 389 | 7 943 | 7 943 |
| Prepayment | | 1 896 | 1 896 | 2 951 | 2 951 |
| Other assets | 16,23(ii),(iv) | 11 295 | 11 295 | 16 249 | 16 249 |
| Current tax assets | | 1 491 | 1 491 | | |
| Total Current Assets | | 75 253 | 75 253 | 75 057 | 75 057 |
| Non-current assets | | | | | |
| Property, plant and equipment | 9 | 1 196 810 | 1 196 810 | 1 205 372 | 1 205 372 |
| Biological assets | 11 | 1 515 310 | 1 515 310 | 1 403 831 | 1 403 831 |
| Investment properties | 10 | 7 916 | 7 916 | 9 039 | 9 039 |
| Deferred income tax asset | 5b(ii) | 7 457 | 7 457 | 10 614 | 10 614 |
| Total Non-Current assets | | 2 727 493 | 2 727 493 | 2 628 856 | 2 628 856 |
| TOTAL ASSETS | | 2 802 746 | 2 802 746 | 2 703 913 | 2 703 913 |
| Current liabilities | | | | | |
| Trade and other payables | 12 | 49 631 | 49 631 | 52 752 | 52 752 |
| Interest-bearing loans and borrowings | 13 | 10 562 | 10 562 | 31 211 | 31 211 |
| Dividend provided | 14 | 1 000 | 1 000 | 16 000 | 16 000 |
| Provisions | 15 | 12 467 | 770 | 11 823 | 820 |
| Current tax liability | 5 | | | 1 615 | 1 615 |
| Total Current Liabilities | | 73 660 | 61 963 | 113 401 | 102 398 |
| Non-current liabilities | | | | | |
| Interest-bearing loans and borrowings | 13 | 158 927 | 158 927 | 128 532 | 128 532 |
| Provisions | 15 | 3 580 | 3 460 | 3 550 | 3 320 |
| Deferred income tax liability | 5 | 543 989 | 543 989 | 512 911 | 512 911 |
| Amount due to related entities | 23(ii),(iv) | 24 949 | 36 766 | 24 414 | 35 647 |
| Total Non-Current Liabilities | | 731 445 | 743 142 | 669 407 | 680 410 |
| TOTAL LIABILITIES | | 805 105 | 805 105 | 782 808 | 782 808 |
| NET ASSETS | | 1 997 641 | 1 997 641 | 1 921 105 | 1 921 105 |
| Equity | | | | | |
| Capital | | 421 706 | 421 706 | 421 706 | 421 706 |
| Asset revaluation reserve | | 701 252 | 701 252 | 704 872 | 704 872 |
| Retained profits | | 874 683 | 874 683 | 794 527 | 794 527 |
| TOTAL EQUITY | | 1 997 641 | 1 997 641 | 1 921 105 | 1 921 105 |

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE, 2008

| | Notes | Economic Entity 2008 \$ '000 | Statutory Corporation 2008 \$ '000 | Economic Entity 2007 \$ '000 | Statutory Corporation 2007 \$ '000 |
|---|-------|---------------------------------------|---|---------------------------------------|---|
| Cash flows from operating activities | | | | | |
| Receipts from customers | | 289 262 | 289 262 | 267 100 | 267 100 |
| Payment to suppliers and employees | | (232 223) | (232 223) | (213 975) | (213 975) |
| Interest received | | 1 165 | 1 165 | 619 | 619 |
| Income taxes paid | | (4 599) | (4 599) | (2 961) | (2 961) |
| Net Cash Flow from operating Activities | | 53 605 | 53 605 | 50 783 | 50 783 |
| Cash flows from investing activities | | | | | |
| Payments for property, plant and equipment | | (12 638) | (12 638) | (23 007) | (23 007) |
| Payments for plantation establishment | | (22 266) | (22 266) | (22 032) | (22 032) |
| Capitalised interest on Borrowings | | (10 019) | (10 019) | (8 721) | (8 721) |
| Proceeds from sale of property, plant & equipment | | 3 596 | 3 596 | 6 470 | 6 470 |
| Net cash (outflow) from investing activities | | (41 327) | (41 327) | (47 290) | (47 290) |
| Cash flows from financing activities | | | | | |
| Proceeds from borrowings | | 38 467 | 38 467 | 38 000 | 38 000 |
| Repayment of borrowings | | (28 720) | (28 720) | (16 533) | (16 533) |
| Dividends paid | 14 | (16 000) | (16 000) | (26 332) | (26 332) |
| Net cash inflow (outflow) from financing activities | | (6 253) | (6 253) | (4 865) | (4 865) |
| Net increase (decrease) in cash held | | | | | |
| Cash at the beginning of the financial year | | 5 615 | 5 615 | 6 987 | 6 987 |
| Cash and cash equivalents at the end of the Period | 6 | 11 640 | 11 640 | 5 615 | 5 615 |

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

STATEMENT OF CHANGES IN EQUITY For the year ended 30 June, 2007

| | Economic Entity Capital \$'000 | Statutory Corporation Capital \$'000 | Economic Entity Accumulated Funds \$'000 | Statutory Corporation Accumulated Funds \$'000 | Economic Entity Asset Revaluation Reserve \$'000 | Statutory Corporation Asset Revaluation Reserve \$'000 | Economic Entity Total Equity \$'000 | Statutory Corporation Total Equity \$'000 |
|---|---|---|--|--|---|---|--|--|
| At July 2006 | 421 706 | 421 706 | 907 405 | 907 405 | 487 559 | 487 559 | 1 816 670 | 1 816 670 |
| Changes in equity- transaction with owners as owners(b) | | | (1 293) | (1 293) | | | (1 293) | (1 293) |
| Realised Gain on disposal of other fixed assets | | | 2 770 | 2 770 | (2 770) | (2 770) | - | - |
| Fair Value Revaluation of fixed Assets | | | | | 315 135 | 315 135 | 315 135 | 315 135 |
| Loss on Decrement of Fixed Asset Valuation | | | | | (1 276) | (1 276) | (1 276) | (1 276) |
| Deferred Tax | | | | | (92 630) | (92 630) | (92 630) | (92 630) |
| Equity Dividend | | | (16 000) | (16 000) | | | (16 000) | (16 000) |
| Fair Value Adjustment on prior year acquisitions | | | | | (1 146) | (1 146) | (1 146) | (1 146) |
| Profit/Loss for the Year | | | (98 355) | (98 355) | | | (98 355) | (98 355) |
| At 30 June 2007 | 421 706 | 421 706 | 794 527 | 794 527 | 704 872 | 704 872 | 1 921 105 | 1 921 105 |

(b) In 2006/2007, 5797.79 hectares were transferred revoked and transfer to NPWS and other NSW related government entities

FOR THE YEAR ENDED 30 JUNE, 2008

| | Economic Entity Capital \$'000 | Statutory Corporation Capital \$'000 | Economic Entity Accumulated Funds \$'000 | Statutory Corporation Accumulated Funds \$'000 | Economic Entity Asset Revaluation Reserve \$'000 | Statutory Corporation Asset Revaluation Reserve \$'000 | Economic Entity Total Equity \$'000 | Statutory Corporation Total Equity \$'000 |
|---|---|---|--|--|---|---|--|--|
| At July 2007 | 421 706 | 421 706 | 794 527 | 794 527 | 704 872 | 704 872 | 1 921 105 | 1 921 105 |
| Changes in equity- transaction with owners as owners(b) | | | (6 331) | (6 331) | | | (6 331) | (6 331) |
| Realised Gain on disposal of other fixed assets | | | 5 564 | 5 564 | (3 620) | (3 620) | 1 944 | 1 944 |
| Deferred Tax | | | 1 551 | 1 551 | | | 1 551 | 1 551 |
| Equity Dividend | | | (1 000) | (1 000) | | | (1 000) | (1 000) |
| Profit/Loss for the Year | | | 80 372 | 80 372 | | | 80 372 | 80 372 |
| At 30 June 2008 | 421 706 | 421 706 | 874 683 | 874 683 | 701 252 | 701 252 | 1 997 641 | 1 997 641 |

(b) In 2007/2008, 12,364.13 hectares were transferred revoked and transfer to NPWS and other NSW related government entities

Notes to and forming part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2008

1. CORPORATE INFORMATION

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

The accounts have been prepared on an accrual basis utilising conventional historical cost bases except for certain forest, non-forest assets and investment properties which, as indicated separately in the notes and financial statements, are at fair value.

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

(b) Statement of Compliance

The consolidated and parent entity financial report has been prepared & complies with the accounting and disclosure requirements specified by all Australian Accounting Standards and Interpretations.

(c) Basis of Consolidation

This financial report has been consolidated in accordance with Australian Accounting Standard AASB 127 Consolidated and Separate Financial Statements

The consolidated statements comprise the financial statements of Forests NSW (parent entity) and Forestry Commission Division as at 30 June 2008.

The financial statements of Forestry Commission Division are prepared, using the same consistent accounting policies with Forests NSW.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions are eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

The consolidated financial report for the year ended 30 June 2008 has been authorised for use by Richard Sheldrake, Commissioner of the Forestry Commission of New South Wales, on 17th December, 2008.

(d) Income Tax (Tax equivalents regime) (refer Note 5)

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

Current tax

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

Deferred tax

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

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

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

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

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

The deductibility of this amount is uncertain and is subject to Forests NSW obtaining a private binding ruling with the Australian Taxation office during 2009.

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

- i. confirmation that these deductions are available
- ii. accuracy of the future deductible amount of \$796 963 000

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period (s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have enacted or substantively enacted by reporting date. The measurement of

Notes to and forming part of the financial statements

deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

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

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

Other Taxes (GST)

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

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

(e) Trade and Other Receivables (refer Note 8)

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

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

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

(f) Inventories and Work in Progress (refer Note 7)

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

(g) Non-Current Asset Valuations

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

(i) Impairment of other tangible and intangible assets.

At each reporting date, Forests NSW reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, Forests NSW estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

Where an indicator of impairment exists, the asset will be written down to the recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use.

(ii) Property, Plant & Equipment (refer Note 9)

Land

All land, being Crown Land and Forests NSW owned land, under forests and plantations and under administrative buildings, offices, mechanical workshops and other non-forest installations were revalued by Valuation Services which is a business unit of Department of Lands on 30 June 2007. Fair value is based on current market buying price representing value in use. The Valuation Services supported this basis of valuation by recognising that Forests NSW land was held for continued use and would be replaced if Forests NSW was deprived of them.

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

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

Roads & Bridges

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

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

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

Heavy Plant and Equipment, Motor Vehicles and Mobile Plant

Heavy Plant and Equipment have been independently revalued by Slattery Auctions at 30 June 2006 on the basis of market realisable estimate which approximates fair value.

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

Motor vehicles and Mobile Plant were revalued at 30 June 2006 by management. The carrying value as at 30 June 2006 approximates to the fair value. Revaluations will be performed at least triennially for motor vehicles, or earlier if significant market movements are detected, with purchases in the intervening periods taken to account at cost.

Other Assets

Radio Equipment was revalued at 30 June 2006 by management. The carrying value as at 30 June 2006 approximates to the fair value. Aircraft was revalued by Slattery Auctions at 30 June 2006. Other assets are stated at written down value as at 30 June 2006, which approximates fair value.

Notes to and forming part of the financial statements

(iii) Biological Assets (refer Note 11)**Softwood Plantation Timber**

The fair value of the Softwood Pine Plantation Growing Stock has been assessed utilising a Net Market Value model, which is based upon standing volumes and current prices less the direct costs of disposing of the timber.

The present valuation model differentiates between the following components of the plantation: Non commercial plantations are defined as those plantations which are less than 15 years of age and which have not yet undergone a commercial operation. As market prices cannot be readily determined for these plantations, they are valued on the basis of historical costs incurred in their establishment.

Commercial plantations are defined as those plantations between 12 and 15 years of age which have experienced a commercial operation, and all plantations 15 years of age or greater. A commercial operation is defined as a thinning or clear felling which produces marketable quantities of forest products for sale.

Volume increments are determined both by periodic remeasurement of samples of plantations and by modelling growth from the date of most recent measurement to the valuation date. The modelled growth estimates are generally checked to physical data at five yearly intervals. The market valuation is prepared by qualified foresters, employed by Forests NSW using techniques/methods published in scientific journals and accepted by the forestry industry.

The current product proportion models, used to determine the component product volumes on which the valuations are based, were first implemented in 2002. To better reflect the effects of recent growth conditions and the usage of more genetically advanced seedling stock in more recent years, Forests NSW has recently commenced processes to test and validate the modelling projections to recent actual harvested volumes of various timber products.

Until these validation processes are completed, there may be some variation between reported modelled volumes and actual standing volumes. Recalibration of the inventory models will then be made to ensure models closely align to current actual harvest records. Should any amendment to the valuation become necessary as a result of this testing, any resulting financial effects will be incorporated into future valuations. Costs capitalised in relation to plantations comprise the direct costs of establishment and development attributable to a new plantation of specific age class and species, and indirect costs attributable to the growing stock establishment activity. These indirect costs include fire prevention and suppression, road maintenance, forest management and planning, research, and administration and management.

Other ongoing maintenance and management costs in relation to commercial pine plantations are expensed as incurred, with the exception of major post thinning fertilising and pruning programs. Where these programs are designed specifically to improve stand quality, the costs are capitalised. The net change in fair value (resulting from price and volume movements) from the beginning, to the end of the year is recognised as revenue or an expense in the Income Statement.

Additional data from harvest reconciliations confined a value adjustment to Macquarie Region. This resulted in a value decrement adjustment of \$51 504 547 (\$105 593 586 in 2006-2007).

Hardwood Plantation Timber

These plantations are generally less than 15 years of age and have yet to undergo a commercial operation. As market prices cannot be readily determined for these plantations and as the quality of inventory and growth data has not developed to a suitable standard to support a detailed growth model for these plantations at this time, this resource is valued on the basis of historical costs incurred in their establishment, being the best indication of fair value of the standing timber.

As Hardwood plantations undergo a commercial operation or reach age 15, Forests NSW intends to move to market value for this resource. Land under these plantations and integral infrastructures have been independently valued and disclosed separately in these accounts.

Native Forest Timber

The fair value of the Native Forest timber resource, currently available for harvesting, has been assessed utilising an updated Net Present Value for the F08 financial year. This approach has been recommended, in the short term, by an independent review of Forests NSW's native forest valuation methodology by Pöyry Forest Industry Limited (Pöyry). The approach is based upon standing volumes and current prices less direct costs of disposing of the timber.

Standing volume information is derived from the most recently available resource inventory data. The inventory base is updated on an annual basis to replace plots that have been disturbed due to harvesting or plots that were established in excess of 10 years from the previous measurement date. Only the standing volume of timber that is available in a single harvest cycle is valued. Standing volume information has been grown forward from inventory date to 30 June 2008 and reduced by the volume of products sold since the inventory date.

The Western River Redgum forests and Southern Cypress forests were previously not covered by the standard inventory plot base and previous valuations have relied upon older sources of data for the derivation of values. These areas are now covered by the standard inventory plot base with the Western River Red Gum plot set being current as of the 1/1/2008 and the Southern Cypress plot set being current as of the 1/1/2007.

In determining the standing volume, the gross area of native forests is reduced by the extent where logging is excluded in certain areas. On the north and south coast a net harvest area modifier is then applied to reflect the impact of other logging exclusions prescribed by licences that are not area specific. A further strike rate reduction factor is used to reduce the net harvest area for unmapped flora and fauna exclusions.

After adjusting the gross standing volume for the above exclusions, reconciliation factors are applied to the standing volume of products within each valuation area. These reconciliation factors reflect restrictions on the intensity of harvesting in native forests and the influence of current markets on FNSW's ability to sell certain product types. The reconciliation factors were derived independently by Pöyry and represent a write down factor of the estimated total standing merchantable volume, derived from plot data, with the actual harvested yields from the same areas. A summary of the reconciliation factors used are shown in the following table.

Notes to and forming part of the financial statements

| Valuation Area | Reconciliation Factor (%) | | |
|---|---------------------------|-------------|------|
| | High quality | Low quality | Pulp |
| Western cypress non-RA | 34 | N/A | N/A |
| Western cypress RA | 34 | N/A | N/A |
| Western River Red Gum | 31 | 48 | 1 |
| South Coast Tumbarumba | 25 | 21 | 63 |
| South Coast Batemans Bay | 25 | 21 | 63 |
| South Coast Eden | 30 | 30 | 56 |
| Central Region | 43 | 29 | 16 |
| North East Region | 35 | 27 | 2 |
| North Coast pre-94 hardwood plantations | 30 | 30 | 30 |

The market value for products by species that is applied to yield estimates was sourced from current years actual price data adjusted for marketing and selling costs.

Forests NSW older hardwood plantation resource (pre 1994) has presently been valued as native forest until the plantations are accredited.

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

(h) Carbon Credits

Forests NSW participated in an inaugural sale of New South Wales Greenhouse Abatement Credits in 2004/2005. For financial year ending 30 June, 2008, unsold carbon credit certificates are accounted for as inventory at lower of cost or net realisable value.

(i) Depreciation of Property, Plant & Equipment

Depreciation is charged on Property (other than land), and Plant & Equipment at rates which provide for the original cost or valuation to be written down over the expected useful life of the asset. Depreciation commences when the asset is brought into commercial operation.

| Type of Asset | Depreciation Method | Useful Life |
|----------------------------|---------------------|----------------|
| Property (other than Land) | Straight Line | 10 to 50 Years |
| Aircraft | Straight Line | 10 years |
| Other Plant and Equipment | Straight Line | 3 to 50 Years |
| Roads and Bridges | | |
| • earthworks | Straight Line | 100 Years |
| • paving (gravel) | Straight Line | 30 Years |
| • paving (bitumen) | Straight Line | 50 Years |

(j) Maintenance and Repairs

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

(k) Derecognition of Assets

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

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

(l) Other Financial Assets (refer Note 6)

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

Forests NSW subsequently measures investments classified as "held for trading" or designated "at fair value through profit or loss" at fair value. Financial assets are classified as "held for trading" if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the income statement.

(m) Interest-bearing Loans and Borrowings (refer Note 13)

Interest-bearing loans and borrowings are carried at current capital value, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(n) Guarantee Fee

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

Notes to and forming part of the financial statements

(o) Financial Instruments (refer Note 17)

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

(p) Cash and Cash Equivalents

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

(q) Finance Costs

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

Finance costs include:

- i. interest on bank overdrafts and short-term and long-term borrowings
- ii. amortisation of discounts or premiums relating to borrowings

Capitalisation of Borrowing Costs:

Borrowing costs are capitalised as these funds have been utilised for the acquisition of land and for the establishment and development of new plantations which by their nature take a substantial period of time to become commercially productive.

(r) Rounding of Amounts

The amounts in the Financial Statements have been rounded off to the nearest thousand dollars unless specifically stated to be otherwise.

(s) Provisions

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

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

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

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

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

(t) Lease Assets

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

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

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

(u) Dividend (refer Note 14)

The amount of Dividend payable to the NSW Treasury is \$1 000 000 (2006/2007 \$16 000 000).

(v) Revenue Recognition

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

i) Sale of Timber and Related Activities

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

Notes to and forming part of the financial statements

(w) Grants

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

(x) Employee Benefits**Workers Compensation Insurance**

Forests NSW is a licensed self insurer under the provisions of the Workers Compensation Act 1987. In accordance with regulations that govern the operations of Workers Compensation, an independent actuary has determined the value of the outstanding claims liability as at 30th June 2008. In addition separate insurance cover is held with private insurance companies for excess total incident and total claims costs.

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

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

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

Annual leave

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

Long Service Leave

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

Long Service Leave liability was assessed by actuaries at 30th June, 2008.

Sick Leave

Sick leave is non-vesting and is expensed as incurred. In line with past results, sick leave taken in future periods is expected to be well below entitlements in those periods.

Superannuation

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

The superannuation liability is recognised in Forestry Commission Division. It is the difference between the gross liabilities and the stake in the funds at reporting date in respect of Forestry Commission Division employees (*refer Note 16*).

(y) Investment Property

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

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

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

(z) Adoption of new and revised Accounting Standards.

In the current year, Economic entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (The AASB) that are relevant to its operations and effective for the current annual reporting period. The following standards listed below only impacted on the Economic Entity financial statements with respect to disclosure.

- AASB 7 'Financial instruments: Disclosures'
- AASB 101 Presentation of financial statements (revised October 2006)

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

- | | |
|---|--|
| • AASB 8 'Operating Segments and consequential amendments to other accounting standards resulting from its issue. | • Effective for annual reporting periods beginning on or after 1 January 2009. |
|---|--|

Early adoption of new or revised Accounting Standards/Interpretation.

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

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

Notes to and forming part of the financial statements

3. REVENUE

| | Economic Entity 2008 \$ 000 | Statutory Corporation 2008 \$ 000 | Economic Entity 2007 \$ 000 | Statutory Corporation 2007 \$ 000 |
|--|--------------------------------------|--|--------------------------------------|--|
| Revenue | | | | |
| a) From timber and related operating activities | | | | |
| Royalties from sale of timber and related products | 138 837 | 138 837 | 128 421 | 128 421 |
| Contract Harvest and Haulage | 114 011 | 114 011 | 95 200 | 95 200 |
| | 252 848 | 252 848 | 223 621 | 223 621 |
| b) From other operating activities | | | | |
| Community Service Obligations | 9 557 | 9 557 | 9 557 | 9 557 |
| Other Services Rendered | 24 024 | 24 024 | 23 669 | 23 669 |
| Interest received | 1 165 | 1 165 | 619 | 619 |
| Gain on revaluation of investment properties | - | - | 4 261 | 4 261 |
| Rental Income from Investment Properties | 88 | 88 | 108 | 108 |
| Other rental | 2 857 | 2 857 | 2 681 | 2 681 |
| Gain/(Loss) on Sale of Non Current Assets | (3 635) | (3 635) | (578) | (578) |
| Decrement on revaluation of fixed assets | - | - | (166) | (166) |
| Other State Government Grants | 6 891 | 6 891 | 6 778 | 6 778 |
| Superannuation Gain | - | - | - | - |
| | 40 947 | 40 947 | 46 929 | 46 929 |
| Total Revenue | 293 795 | 293 795 | 270 550 | 270 550 |

Community Services and Government Grants

Forests NSW Community Service and Government Grants totalled \$16 448 000 (2007: \$16 335 000). Grants included capital and revenue components, which are detailed in the following notes:

(i) Community Service Obligations

The State Government contributed \$9 557 000 (2007: \$9 557 000) towards the cost of providing Community Services. This contribution was included in the accounts as revenue. In 2007/08, these services, which include provision of recreation facilities, education and advisory services, government liaison and regulatory services, community fire protection and research cost Forests NSW \$9 849 000 (2007: \$11 136 000). These costs are included in operating expenditure.

(ii) Other Government Grants

The State Government also paid Forests NSW \$6 891 000 (2007: \$6 778 000) for the performance of specific services including tasks associated with the Interim Assessment Process and related Comprehensive Resource Assessments.

Notes to and forming part of the financial statements

4. EXPENSES**a) Expenses**

| | | Economic Entity 2008 \$'000 | Statutory Corporation 2008 \$'000 | Economic Entity 2007 \$'000 | Statutory Corporation 2007 \$'000 |
|--|-------|--------------------------------------|--|--------------------------------------|--|
| | Notes | | | | |
| Finance costs | | | | | |
| Interest and finance charges | | 10 019 | 10 019 | 8 721 | 8 721 |
| Less: Amount capitalised | | (10 019) | (10 019) | (8 721) | (8 721) |
| Finance costs expensed | | - | - | - | - |
| | | | | | |
| Written down value of property, plant and equipment disposed | | 7 231 | 7 231 | 7 215 | 7 215 |
| Depreciation | | | | | |
| Buildings | | 1 203 | 1 203 | 992 | 992 |
| Roads & bridges | | 4 172 | 4 172 | 4 045 | 4 045 |
| Plant and equipment | | 5 102 | 5 102 | 5 217 | 5 217 |
| Total depreciation | | 10 477 | 10 477 | 10 254 | 10 254 |
| Other charges against assets | | | | | |
| Bad debts written off - trade debtors | | 2 287 | 2 287 | 49 | 49 |
| Provisions /Expense | | | | | |
| Doubtful debts | 8 | (2 404) | (2 404) | 2 398 | 2 398 |
| Personnel Services/Employee entitlements | | 15 116 | 15 116 | 13 106 | 13 106 |
| Workers compensation | 15 | 90 | 90 | 770 | 770 |
| Dividend | 14 | (1 000) | (1 000) | 16 000 | 16 000 |
| Total other provisions | | 11 802 | 11 802 | 32 274 | 32 274 |

(b) Individually Significant Items

| Operating profit after income tax includes the following individually significant items: | | Economic Entity 2008 \$'000 | Statutory Corporation 2008 \$'000 | Economic Entity 2007 \$'000 | Statutory Corporation 2007 \$'000 |
|--|-------|--------------------------------------|--|--------------------------------------|--|
| | Notes | | | | |
| Expenses | | | | | |
| Net gain/(loss) from staff superannuation fund | | (3 150) | - | 1 621 | - |
| | | (3 150) | - | 1 621 | - |
| Net Movement in Staff Superannuation Fund | | | | | |
| Changes in Fair Value /(decrement) in Biological assets | 11 | 79 959 | 79 959 | (172 641) | (172 641) |
| Write off of failed hardwood/softwood plantation | 11 | (764) | (764) | (12 945) | (12 945) |
| Total of significant items | | 79 195 | 79 195 | (185 586) | (185 586) |

Notes to and forming part of the financial statements

5. INCOME TAXES**A) Income Tax recognised in Profit and Loss**

| <i>Notes</i> | Economic Entity 2008 \$'000 | Statutory Corporation 2008 \$'000 | Economic Entity 2007 \$'000 | Statutory Corporation 2007 \$'000 |
|--|--------------------------------------|--|--------------------------------------|--|
| Tax expense/(income) comprises : | | | | |
| Current tax expense/(income) | 1 492 | 1 492 | 5 190 | 5 190 |
| Deferred Income tax | | | | |
| Relating to origination and reversal of timing differences that are part of: | | | | |
| Deferred tax liability | 32 630 | 32 630 | (42 886) | (42 886) |
| Deferred tax asset | 3 157 | 3 157 | (2 269) | (2 269) |
| Total expense /(income) | 37 279 | 37 279 | (39 965) | (39 965) |
| Attributable to: | | | | |
| Continuing operations | 37 279 | 37 279 | (39 965) | (39 965) |
| Discontinued operations | | | | |
| | 37 279 | 37 279 | (39 965) | (39 965) |
| The prima facie income tax expense on pre-tax accounting profit from | | | | |
| Operation reconciles to the income tax expense in the financial statements as follows: | | | | |
| Accounting Profit/(Loss) from continuing operations | 117 651 | 117 651 | (138 320) | (138 320) |
| Accounting Profit/(Loss) from discontinued operations | | | - | - |
| At the statutory income tax rate of 30% | 35 295 | 35 295 | (41 496) | (41 496) |
| Excess/(Deficit) of accounting depreciation over tax | 204 | 204 | 208 | 208 |
| Non revenue expenditures | 1 519 | 1 519 | 52 | 52 |
| Loss on discontinued assets | 1 411 | 1 411 | 72 | 72 |
| Provisions and accruals expenses | -576 | -576 | 1 338 | 1 338 |
| Unearned revenue | (2 688) | (2 688) | (311) | (311) |
| (Increment)/ Decrement in net market value of biological assets | (23 987) | (23 987) | 51 792 | 51 792 |
| Non Assessable Income | - | - | (1 885) | (1 885) |
| Capitalised Finance Costs | (3 006) | (3 006) | (2 616) | (2 616) |
| Sundry Items | - | - | 760 | 760 |
| Capital Expenditures on Plantation Establishment | (6 680) | (6 680) | (2 723) | (2 723) |
| Deferred Income Tax | | | | |
| Relating to origination and reversal of timing differences | 35 787 | 35 787 | (45 156) | (45 156) |
| Income tax expense reported in income statement | 37 279 | 37 279 | (39 965) | (39 965) |

Notes to and forming part of the financial statements

5. INCOME TAXES (continued)**B) (i) Income Tax Equivalents (2006-2007)**

| | Balance Sheet 2007 | | Balance Sheet 2006 | | Income Statement 2007 | | Income Statement 2006 | |
|---|------------------------|------------------------------|------------------------|------------------------------|------------------------|------------------------------|------------------------|------------------------------|
| | Economic Entity \$'000 | Statutory Corporation \$'000 | Economic Entity \$'000 | Statutory Corporation \$'000 | Economic Entity \$'000 | Statutory Corporation \$'000 | Economic Entity \$'000 | Statutory Corporation \$'000 |
| Deferred Income tax equivalent at 30 June relates to the following: Deferred income tax equivalent liabilities | | | | | | | | |
| Property, Plant & Equipment | (330 770) | (330 770) | (234 047) | (234 047) | 96 723 | 96 723 | 1 160 | 1 160 |
| Biological Assets | (182 141) | (182 141) | (228 594) | (228 594) | (46 453) | (46 453) | (10 878) | (10 878) |
| Superannuation | - | - | - | - | - | - | (47 485) | (47 485) |
| Gross Deferred income tax equivalent liabilities | (512 911) | (512 911) | (462 641) | (462 641) | - | - | - | - |
| Deferred income tax equivalent assets | | | | | | | | |
| Superannuation | - | - | - | - | - | - | 57 446 | 57 446 |
| Provision of expenses | 1 948 | 1 948 | 650 | 650 | 1 298 | 1 298 | 8 522 | 8 522 |
| Revenue in Advance | 8 666 | 8 666 | 7 695 | 7 695 | 971 | 971 | (3 946) | (3 946) |
| Gross Deferred income tax equivalent assets | 10 614 | 10 614 | 8 345 | 8 345 | - | - | - | - |
| Deferred income tax equivalent charge | | | | | 52 539 | 52 539 | 4 819 | 4 819 |

B) (ii) Income Tax Equivalents (2007-2008)

| | Balance Sheet 2008 | | Balance Sheet 2007 | | Income Statement 2008 | | Income Statement 2007 | |
|---|------------------------|------------------------------|------------------------|------------------------------|------------------------|------------------------------|------------------------|------------------------------|
| | Economic Entity \$'000 | Statutory Corporation \$'000 | Economic Entity \$'000 | Statutory Corporation \$'000 | Economic Entity \$'000 | Statutory Corporation \$'000 | Economic Entity \$'000 | Statutory Corporation \$'000 |
| Deferred Income tax equivalent at 30 June relates to the following: Deferred income tax equivalent liabilities | | | | | | | | |
| Property, Plant & Equipment | (328 404) | (328 404) | (330 770) | (330 770) | 2 366 | 2 366 | 96 723 | 96 723 |
| Biological Assets | (215 585) | (215 585) | (182 141) | (182 141) | (33 444) | (33 444) | (46 453) | (46 453) |
| Gross Deferred income tax equivalent liabilities | (543 989) | (543 989) | (512 911) | (512 911) | - | - | - | - |
| Deferred income tax equivalent assets | | | | | | | | |
| Provision of expenses | 1 451 | 1 451 | 1 948 | 1 948 | (497) | (497) | 1 298 | 1 298 |
| Revenue in Advance | 6 006 | 6 006 | 8 666 | 8 666 | (2 660) | (2 660) | 971 | 971 |
| Gross Deferred income tax equivalent assets | 7 457 | 7 457 | 10 614 | 10 614 | - | - | - | - |
| Deferred income tax equivalent charge | | | | | (34 235) | (34 235) | 52 539 | 52 539 |

Notes to and forming part of the financial statements

6. CASH AND CASH EQUIVALENTS

| | Economic Entity 2008 \$'000 | Statutory Corporation 2008 \$'000 | Economic Entity 2007 \$'000 | Statutory Corporation 2007 \$'000 |
|---|--------------------------------------|--|--------------------------------------|--|
| <i>Notes</i> | | | | |
| Cash at bank | 10 418 | 10 418 | 3 056 | 3 056 |
| Cash on hand | 46 | 46 | 59 | 59 |
| NSW Treasury Corporation Hour Glass Cash Facility | 43 | 43 | 2 066 | 2 066 |
| Other Financial Assets | 1 133 | 1 133 | 434 | 434 |
| Balances as per cash flow statement | 11 640 | 11 640 | 5 615 | 5 615 |

Investments at call

The NSW Treasury Corporation Hour glass cash facility have been subject to floating interest rates between 6.87% and 7.83%(2007: 5.83% and 6.87%).

7. INVENTORIES

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

| | Economic Entity 2008 \$'000 | Statutory Corporation 2008 \$'000 | Economic Entity 2007 \$'000 | Statutory Corporation 2007 \$'000 |
|---|--------------------------------------|--|--------------------------------------|--|
| <i>Notes</i> | | | | |
| Materials and parts – at cost | 4 867 | 4 867 | 5 059 | 5 059 |
| Work in progress and finished goods – at cost and net realisable value | 3 522 | 3 522 | 2 884 | 2 884 |
| | 8 389 | 8 389 | 7 943 | 7 943 |
| Provision for stock losses | - | - | - | - |
| Total Inventories at lower of cost and net realisable value | 8 389 | 8 389 | 7 943 | 7 943 |

8. TRADE AND OTHER RECEIVABLES

| | Economic Entity 2008 \$'000 | Statutory Corporation 2008 \$'000 | Economic Entity 2007 \$'000 | Statutory Corporation 2007 \$'000 |
|-------------------------------|--------------------------------------|--|--------------------------------------|--|
| <i>Notes</i> | | | | |
| Receivables | 40 128 | 40 128 | 44 554 | 44 554 |
| Allowance for impairment Loss | (22) | (22) | (2 427) | (2 427) |
| | 40 106 | 40 106 | 42 127 | 42 127 |
| Other debtors* | 436 | 436 | 172 | 172 |
| Total | 40 542 | 40 542 | 42 299 | 42 299 |

During the year bad debts amounting to \$2 287 000 (2007: \$49 000) were written off.

Notes to and forming part of the financial statements

8. TRADE AND OTHER RECEIVABLES (continued)

(i) Allowance for impairment loss

Trade receivables are non interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is evidence of debt being impaired. An impairment loss of \$0 (2007: \$2 427 000) has been recognised in the current year .

All trade debtors are recognised as amounts receivable at balance date. Collectibility of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due.

This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The Department is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors.

Movement of the impairment loss were as follows :

| | Economic Entity 2008 \$'000 | Statutory Corporation 2008 \$'000 | Economic Entity 2007 \$'000 | Statutory Corporation 2007 \$'000 |
|---------------------|--------------------------------------|--|--------------------------------------|--|
| <i>Notes</i> | | | | |
| At 1st July | 2 426 | 2 426 | 29 | 29 |
| Charge for the year | - | - | 2 405 | 2 405 |
| Amount written off | (2 404) | (2 404) | (8) | (8) |
| Total | 22 | 22 | 2 426 | 2 426 |

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

| | Economic Entity 2008 \$'000 | Statutory Corporation 2008 \$'000 | Economic Entity 2007 \$'000 | Statutory Corporation 2007 \$'000 |
|--|--------------------------------------|--|--------------------------------------|--|
| <i>Notes</i> | | | | |
| Total | | | | |
| 0-30 Days* | 27 548 | 27 548 | 24 388 | 24 388 |
| 31-60 Days | 11 728 | 11 728 | 13 767 | 13 767 |
| 61-90 Days (Past due but not impaired) | 1 215 | 1 215 | 444 | 444 |
| 61-90 Days (Considered impaired) | - | - | - | - |
| >90 Days (Past due but not impaired) | 51 | 51 | 1 290 | 67 |
| >90 Days (Considered impaired) | - | - | 2 410 | 2 410 |

* Other debtor balances do not contain impaired assets and are not past due. These debts balances will be received when due

Notes to and forming part of the financial statements

9. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT**Statutory Corporation**

| | Crown Land \$'000 | Freehold Land \$'000 | Buildings \$'000 | Roads & Bridges \$'000 | All Plant & Equipment \$'000 | PPE WIP \$'000 | Total \$'000 |
|---|----------------------|----------------------------|---------------------|------------------------------|------------------------------------|-------------------|-----------------|
| Note | | | | | | | |
| At July 2007 | | | | | | | |
| At Fair Value | 1 027 747 | 1 946 | 27 280 | 112 901 | 36 352 | 8 181 | 1 214 407 |
| Accumulated depreciation and impairment | | | | (4 045) | (4 990) | - | (9 035) |
| Net Carrying Amount | 1 027 747 | 1 946 | 27 280 | 108 856 | 31 362 | 8 181 | 1 205 372 |
| At 30 June 2008 | | | | | | | |
| At Fair Value | 1 022 466 | 1 946 | 28 565 | 117 914 | 34 914 | 8 204 | 1 214 009 |
| Accumulated depreciation and impairment | | | (1 353) | (8 216) | (7 630) | | (17 199) |
| Net Carrying Amount | 1 022 466 | 1 946 | 27 212 | 109 698 | 27 284 | 8 204 | 1 196 810 |

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below.

| | Crown Land \$'000 | Freehold Land \$'000 | Buildings \$'000 | Roads & Bridges \$'000 | All Plant & Equipment \$'000 | PPE WIP \$'000 | Total \$'000 |
|--|----------------------|----------------------------|---------------------|------------------------------|------------------------------------|-------------------|-----------------|
| Note | | | | | | | |
| Year ended 30 June 2007 | | | | | | | |
| Net carrying amount at start of year | 715 833 | 3 413 | 22 504 | 109 115 | 32 260 | 5 017 | 888 142 |
| Additions(transferred to Fixed Assets) | 4 962 | | 1 935 | 3 786 | 9 160 | 3 164 | 23 007 |
| Asset Dedications | | | | | | | |
| Disposals | (424) | (2 000) | (747) | | (3 878) | | (7 049) |
| Asset Revocation | (2 631) | | | | | | (2 631) |
| Depreciation/amort'n expense* 4(a) | | | (1 188) | (4 045) | (5 305) | | (10 538) |
| Revaluation Increments (Decrements) | 310 007 | 533 | 4 776 | | (875) | | 314 441 |
| Net carrying amount at end of year | 1 027 747 | 1 946 | 27 280 | 108 856 | 31 362 | 8 181 | 1 205 372 |

*Note: Depreciation expense differs from Income Statement by \$284 000 (2006 \$276 000). This amount represents depreciation held in inventories work in progress as a cost of production of nursery seedlings

Independent valuation:

(a) Land values assessed by Valuation Services as at 30/06/07. In 2006/2007 5,797.79 hectares (2005/2006, 359 000 hectares revoked, 2 731 were dedicated) were revoked and transferred to NPWS and other NSW related government agencies.

(b) Building values assessed by Valuation Services as at 30/06/07

(c) Roads and bridges revalue by Valuation Services (Formerly SVO) as at 30/06/06.

(d) Motor Vehicles and Heavy Plant assessed by management valuation at 30/06/06.

(e) Heavy Plant Valuation by Slattery auction as at 30/06/2006

(f) Other plant and equipment assessed by management valuation as at 30/06/06.

Notes to and forming part of the financial statements

9. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

| | Crown Land \$'000 | Freehold Land \$'000 | Buildings \$'000 | Roads & Bridges \$'000 | All Plant & Equipment \$'000 | PPE WIP \$'000 | Total \$'000 |
|--------------------------------------|----------------------|----------------------------|---------------------|------------------------------|------------------------------------|-------------------|-----------------|
| Note | | | | | | | |
| Year ended 30 June 2008 | | | | | | | |
| Net carrying amount at start of year | 1 027 747 | 1 946 | 27 280 | 108 856 | 31 362 | 8 181 | 1 205 372 |
| Additions | | | | | | 12 986 | 12 986 |
| Transfers from WIPS | | | 1 285 | 5 014 | 6 316 | (12 615) | 0 |
| Asset Dedications | 203 | | | | | | 203 |
| Disposals | (894) | | | | (5 215) | (348) | (6 457) |
| Asset Revocation | (4 590) | | | | | | (4 590) |
| Depreciation/amort'n expense* | 4(a) | | (1 353) | (4 172) | (5 179) | | (10 704) |
| Revaluation Increments (Decrements) | | | | | | | |
| Net carrying amount at end of year | 1 022 466 | 1 946 | 27 212 | 109 698 | 27 284 | 8 204 | 1 196 810 |

*Note: Depreciation expense differs from Income Statement by \$227 000 (2007 \$284 000). This amount represents depreciation held in inventories work in progress as a cost of production of nursery seedlings

Independent valuation:

(a) Land values assessed by Valuation Services as at 30/06/07. In 2007/2008 12 364.13 hectares (2006/2007, 5 797.79 hectares revoked,) were revoked and transferred to NPWS and other NSW related government agencies.

(b) Building values assessed by Valuation Services as at 30/06/07

(c) Roads and bridges revalue by Valuation Services (Formerly SVO) as at 30/06/06.

(d) Motor Vehicles and Heavy Plant assessed by management valuation at 30/06/06.

(e) Heavy Plant Valuation by Slattery auction as at 30/06/2006

(f) Other plant and equipment assessed by management valuation as at 30/06/06.

(g) Update factors were obtained from Valuation Services as at 30/06/2008 and were not material enough to warrant adjustment to fair market value of assets.

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below.

Economic Entity

| | Crown Land \$'000 | Freehold Land \$'000 | Buildings \$'000 | Roads & Bridges \$'000 | All Plant & Equipment \$'000 | PPE WIP \$'000 | Total \$'000 |
|---|----------------------|----------------------------|---------------------|------------------------------|------------------------------------|-------------------|-----------------|
| Note | | | | | | | |
| At 1 July 2007 | | | | | | | |
| At Fair Value | 1 027 747 | 1 946 | 27 280 | 112 901 | 36 352 | 8 181 | 1 214 407 |
| Accumulated depreciation and impairment | | | | (4 045) | (4 990) | - | (9 035) |
| Net Carrying Amount | 1 027 747 | 1 946 | 27 280 | 108 856 | 31 362 | 8 181 | 1 205 372 |
| At 30 June 2008 | | | | | | | |
| At Fair Value | 1 022 466 | 1 946 | 28 565 | 117 914 | 34 914 | 8 204 | 1 214 009 |
| Accumulated depreciation and impairment | | | (1 353) | (8 216) | (7 630) | | (17 199) |
| Net Carrying Amount | 1 022 466 | 1 946 | 27 212 | 109 698 | 27 284 | 8 204 | 1 196 810 |

Notes to and forming part of the financial statements

9. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)**Reconciliation**

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below.

| | Crown Land \$'000 | Freehold Land \$'000 | Buildings \$'000 | Roads & Bridges \$'000 | All Plant & Equipment \$'000 | PPE WIP \$'000 | Total \$'000 |
|---|----------------------|----------------------------|---------------------|------------------------------|------------------------------------|-------------------|-----------------|
| Note | | | | | | | |
| Year ended 30 June 2007 | | | | | | | |
| Net carrying amount at start of year | 715 833 | 3 413 | 22 504 | 109 115 | 32 260 | 5 017 | 888 142 |
| Additions (transferred to Fixed Assets) | 4 962 | | 1 935 | 3 786 | 9 160 | 3 164 | 23 007 |
| Asset Dedications | | | | | | | |
| Disposals | (424) | (2 000) | (747) | | (3 878) | | (7 049) |
| Asset Revocation | (2 631) | | | | | | (2 631) |
| Depreciation/amort'n expense* | 4(a) | | (1 188) | (4 045) | (5 305) | | (10 538) |
| Revaluation Increments (Decrements) | 310 007 | 533 | 4 776 | | (875) | | 314 441 |
| Net carrying amount at end of year | 1 027 747 | 1 946 | 27 280 | 108 856 | 31 632 | 8 181 | 1 205 372 |

*Note: Depreciation expense differs from Income Statement by \$284 000 (2006 \$276 000). This amount represents depreciation held in inventories work in progress as a cost of production of nursery seedlings

Independent valuation:

(a) Land values assessed by Valuation Services as at 30/06/07. In 2006/2007 5 797.79 hectares (2005/2006, 359 000 hectares revoked, 2 731 were dedicated) were revoked and transferred to NPWS and other NSW related government agencies.

(b) Building values assessed by Valuation Services as at 30/06/07

(c) Roads and bridges revalue by Valuation Services (Formerly SVO) as at 30/06/06.

(d) Motor Vehicles and Heavy Plant assessed by management valuation at 30/06/06.

(e) Heavy Plant Valuation by Slattery auction as at 30/06/2006

(f) Other plant and equipment assessed by management valuation as at 30/06/06.

| | Crown Land \$'000 | Freehold Land \$'000 | Buildings \$'000 | Roads & Bridges \$'000 | All Plant & Equipment \$'000 | PPE WIP \$'000 | Total \$'000 |
|--------------------------------------|----------------------|----------------------------|---------------------|------------------------------|------------------------------------|-------------------|-----------------|
| Note | | | | | | | |
| Year ended 30 June 2008 | | | | | | | |
| Net carrying amount at start of year | 1 027 747 | 1 946 | 27 280 | 108 856 | 31 362 | 8 181 | 1 205 372 |
| Additions | | | | | | 12 986 | 12 986 |
| Transfer from WIPS | | | 1 285 | 5 014 | 6 316 | (12 615) | 0 |
| Asset Dedications | 203 | | | | | | 203 |
| Disposals | (894) | | | | (5 215) | (348) | (6 457) |
| Asset Revocation | (4 590) | | | | | | (4 590) |
| Depreciation/amort'n expense* | 4(a) | | (1 353) | (4 172) | (5 179) | | (10 704) |
| Revaluation Increments (Decrements) | | | | | | | |
| Net carrying amount at end of year | 1 022 466 | 1 946 | 27 212 | 109 698 | 27 284 | 8 204 | 1 196 810 |

*Note: Depreciation expense differs from Income Statement by \$227 000 (2007 \$284 000). This amount represents depreciation held in inventories work in progress as a cost of production of nursery seedlings

Independent valuation:

(a) Land values assessed by Valuation Services as at 30/06/07. In 2007/2008 12 364.13 hectares (2006/2007, 5 797.79 hectares revoked,) were revoked and transferred to NPWS and other NSW related government agencies.

(b) Building values assessed by Valuation Services as at 30/06/07

(c) Roads and bridges revalue by Valuation Services (Formerly SVO) as at 30/06/06.

(d) Motor Vehicles and Heavy Plant assessed by management valuation at 30/06/06.

(e) Heavy Plant Valuation by Slattery auction as at 30/06/2006

(f) Other plant and equipment assessed by management valuation as at 30/06/06.

(g) Update factors were obtained from Valuation Services as at 30/06/2008 and were not material enough to warrant adjustment to fair market value of assets.

Notes to and forming part of the financial statements

10. INVESTMENT ASSETS

| | Economic Entity \$'000 2008 | Statutory Corporation \$'000 2008 | Economic Entity \$'000 2007 | Statutory Corporation \$'000 2007 |
|--|--------------------------------------|--|--------------------------------------|--|
| <i>Notes</i> | | | | |
| Investment assets at beginning of reporting period-at fair value | 9 039 | 9 039 | 4 778 | 4 778 |
| Additions/Disposals during the year | (1 123) | (1 123) | - | - |
| Net gain/losses arising from fair value adjustments | - | - | 4 261 | 4 261 |
| Investment assets at end of reporting period-at fair value (a) | 7 916 | 7 916 | 9 039 | 9 039 |

(a) At Valuation 2007: Land \$2 984 000, Buildings \$6 055 000 by Valuation Services

11. BIOLOGICAL ASSETS**Summary of Biological assets**

| | Economic Entity \$'000 2008 | Statutory Corporation \$'000 2008 | Economic Entity \$'000 2006 | Statutory Corporation \$'000 2006 |
|---|--------------------------------------|--|--------------------------------------|--|
| <i>Notes</i> | | | | |
| Softwood Plantation Timber Net Market Value at reporting date | 11 a(i) | 1 114 564 | 1 114 564 | 986 465 |
| Hardwood Plantation Timber carrying amount as at reporting date | 11 b(i) | 67 526 | 67 526 | 63 885 |
| Native Forest Timber Net Market Value at reporting date | 11 c(i) | 333 220 | 333 220 | 353 481 |
| | | 1 515 310 | 1 515 310 | 1 403 831 |

(a) Softwood Plantation Timber**i) Valuation**

| | Economic Entity \$'000 2008 | Statutory Corporation \$'000 2008 | Economic Entity \$'000 2007 | Statutory Corporation \$'000 2007 |
|---|--------------------------------------|--|--------------------------------------|--|
| <i>Notes</i> | | | | |
| Net market value of timber at beginning of reporting period | 986 465 | 986 465 | 1 110 668 | 1 110 668 |
| Capital expenditure - plantation establishment & development | 18 625 | 18 625 | 19 735 | 19 735 |
| Capitalisation of borrowing costs | 10 019 | 10 019 | 8 721 | 8 721 |
| Write-off of growing stock &/or establishment costs | (764) | (764) | (12 884) | (12 884) |
| Carrying amount as at the reporting date (prior to adjusting for changes in net market value) | 1 014 345 | 1 014 345 | 1 126 240 | 1 126 240 |
| Net market value at reporting date | 1 114 564 | 1 114 564 | 986 465 | 986 465 |
| Changes in fair Value/Net increment/(decrement) in the net market value of timber | 100 219 | 100 219 | (139 775) | (139 775) |

Notes to and forming part of the financial statements

11. BIOLOGICAL ASSETS (continued)**ii) Plantation area by species and age class**

| | Economic Entity 2008 Hectares | Statutory Corporation 2008 Hectares | Economic Entity 2007 Hectares | Statutory Corporation 2007 Hectares |
|-----------------------------------|--|--|--|--|
| <i>Notes</i> | | | | |
| <i>Pinus radiata</i> | | | | |
| 0–14 years | 61 383 | 61 383 | 60 502 | 60 502 |
| 15-30 years | 90 046 | 90 046 | 94 916 | 94 916 |
| 31 years and over | 29 537 | 29 537 | 29 434 | 29 434 |
| Total | 180 966 | 180 966 | 184 852 | 184 852 |
| Southern Pine | | | | |
| 0–14 years | 3 715 | 3 715 | 3 689 | 3 689 |
| 15-30 years | 4 293 | 4 293 | 4 136 | 4 136 |
| 31 years and over | 716 | 716 | 1 021 | 1 021 |
| Total | 8 724 | 8 724 | 8 846 | 8 846 |
| Other major species | | | | |
| 0–14 years | 117 | 117 | 76 | 76 |
| 15-30 years | 136 | 136 | 185 | 185 |
| 31 years and over | 2 768 | 2 768 | 2 862 | 2 862 |
| Total | 3 021 | 3 021 | 3 123 | 3 123 |
| Total Area of Softwood Plantation | 192 711 | 192 711 | 196 821 | 196 821 |

iii) Softwood Plantation - standing volumes by major species

| | Economic Entity 2008 | Statutory Corporation 2008 | Economic Entity 2007 | Statutory Corporation 2007 |
|----------------------|----------------------------|----------------------------------|----------------------------|----------------------------------|
| Species | | | | |
| <i>Pinus radiata</i> | 37 609 477 | 37 609 477 | 36 444 234 | 36 444 234 |
| Southern Pine | 882 556 | 882 556 | 786 431 | 786 431 |
| Other Major | 539 364 | 539 364 | 505 044 | 505 044 |
| Other Species | 235 019 | 235 019 | 234 861 | 234 861 |

Notes to and forming part of the financial statements

11. BIOLOGICAL ASSETS (continued)**(b) Hardwood Plantation Timber****i) Valuation**

| | Economic Entity \$'000 2008 | Statutory Corporation \$'000 2008 | Economic Entity \$'000 2007 | Statutory Corporation \$'000 2007 |
|--|--------------------------------------|--|--------------------------------------|--|
| <i>Notes</i> | | | | |
| Carrying amount of timber at beginning of reporting period – at fair value | 63 885 | 63 885 | 61 659 | 61 659 |
| Capital expenditure - plantation establishment & development | 3 641 | 3 641 | 2 297 | 2 297 |
| Sale of Plantations | - | - | (10) | (10) |
| Write off of failed plantations | - | - | (61) | (61) |
| Carrying amount as at the reporting date – at fair value (Note 2(g)(iii)) | 67 526 | 67 526 | 63 885 | 63 885 |

ii) Plantation area by species (all less than 15 years old)

| | Economic Entity 2008 Hectares | Statutory Corporation 2008 Hectares | Economic Entity 2007 Hectares | Statutory Corporation 2007 Hectares |
|-----------------------------------|--|--|--|--|
| <i>Notes</i> | | | | |
| <i>Eucalyptus dunnii</i> | 8 765 | 8 765 | 8 353 | 8 353 |
| <i>Corymbia maculata</i> | 4 517 | 4 517 | 4 309 | 4 309 |
| <i>Eucalyptus pilularis</i> | 4 889 | 4 889 | 4 789 | 4 789 |
| Other Hardwood Plantation Species | 9 182 | 9 182 | 9 364 | 9 364 |
| Total Area of Hardwood Plantation | 27 353 | 27 353 | 26 815 | 26 815 |

(c) Native Forest Timber**i) Valuation**

| | Economic Entity 2008 \$'000 | Statutory Corporation 2008 \$'000 | Economic Entity 2007 \$'000 | Statutory Corporation 2007 \$'000 |
|---|--------------------------------------|--|--------------------------------------|--|
| <i>Notes</i> | | | | |
| Net market value of timber at beginning of reporting period | 353 481 | 353 481 | 386 347 | 386 347 |
| Net market value at reporting date | 333 220 | 333 220 | 353 481 | 353 481 |
| Net increment in the net market value of timber | (20 261) | (20 261) | (32 866) | (32 866) |

Notes to and forming part of the financial statements

11. BIOLOGICAL ASSETS (continued)**ii) Species Mix of Native Forest areas**

| | Economic Entity 2008 Hectares* | Statutory Corporation 2008 Hectares* | Economic Entity 2007 Hectares* | Statutory Corporation 2007 Hectares* |
|-----------------------------------|---|---|---|---|
| <i>Notes</i> | | | | |
| Productive forest areas: | | | | |
| Alpine Ash | 16 851 | 16 851 | 16 836 | 16 836 |
| Blackbutt | 95 813 | 95 813 | 96 160 | 96 160 |
| Blue Gum | 90 893 | 90 893 | 92 994 | 92 994 |
| Messmate | 175 755 | 175 755 | 175 653 | 175 653 |
| Mixed Coastal Eucalypt | 163 778 | 163 778 | 164 327 | 164 327 |
| Other Inland Eucalypt types | 145 553 | 145 553 | 108 633 | 108 633 |
| Rainforest | 10 527 | 10 527 | 5 915 | 5 915 |
| River Red Gum | 93 559 | 93 559 | 87 365 | 87 365 |
| Snow Gum | 19 583 | 19 583 | 19 591 | 19 591 |
| Spotted Gum | 147 696 | 147 696 | 146 985 | 146 985 |
| Stringybark | 147 876 | 147 876 | 158 360 | 158 360 |
| Un-classified | 239 736 | 239 736 | 228 431 | 228 431 |
| White Cypress Pine | 148 840 | 148 840 | 148 721 | 148 721 |
| Total | 1 496 460 | 1 496 460 | 1 449 971 | 1 449 971 |
| Total non productive forest areas | 525 111 | 525 111 | 547 405 | 547 405 |
| Total Area of Native Forest | 2 021 571 | 2 021 571 | 1 997 376 | 1 997 376 |

* Native Forests are not homogenous by species. A total hectare by species is a proportional measure rather than representing discrete forests by species type.

12. TRADE AND OTHER PAYABLES

| | Economic Entity 2008 \$'000 | Statutory Corporation 2008 \$'000 | Economic Entity 2007 \$'000 | Statutory Corporation 2007 \$'000 |
|---------------------|--------------------------------------|--|--------------------------------------|--|
| <i>Notes</i> | | | | |
| Current | | | | |
| Trade | 29 616 | 29 616 | 23 864 | 23 864 |
| Receipts in Advance | 20 015 | 20 015 | 28 888 | 28 888 |
| Total | 49 631 | 49 631 | 52 752 | 52 752 |

13. INTEREST-BEARING LOANS AND BORROWINGS

i) Forests NSW Interest-Bearing Loans and Borrowings are recognised at Current Capital value and are made up of:

| | Economic Entity 2008 \$'000 | Statutory Corporation 2008 \$'000 | Economic Entity 2007 \$'000 | Statutory Corporation 2007 \$'000 |
|--------------------------------|--------------------------------------|--|--------------------------------------|--|
| <i>Notes</i> | | | | |
| NSW Treasury Corporation Loans | 169 490 | 169 490 | 159 743 | 159 743 |

Notes to and forming part of the financial statements

13. INTEREST-BEARING LOANS AND BORROWINGS (continued)

i) Repayment details of these loans shown on the Balance Sheet are as follows:

| | Economic Entity 2008 Notes \$'000 | Statutory Corporation 2008 \$'000 | Economic Entity 2007 \$'000 | Statutory Corporation 2007 \$'000 |
|--|---|--|--------------------------------------|--|
| Not later than 1 year (Current) | 10 562 | 10 562 | 31 211 | 31 211 |
| | 10 562 | 10 562 | 31 211 | 31 211 |
| Later than 1 year but not later than 5 years (Non Current) | 77 335 | 77 335 | 69 603 | 69 603 |
| Later than 5 years (Non Current) | 81 592 | 81 592 | 58 929 | 58 929 |
| | 158 927 | 158 927 | 128 532 | 128 532 |
| Total borrowings | 169 489 | 169 489 | 159 743 | 159 743 |

NSW Treasury Corporation outstanding loan interest rates ranged between 5.5% and 7.0% (2007: 5.5% and 8%)

14. DIVIDENDS PAID/ PROPOSED

| | Economic Entity 2008 Notes \$'000 | Statutory Corporation 2008 \$'000 | Economic Entity 2007 \$'000 | Statutory Corporation 2007 \$'000 |
|---|---|--|--------------------------------------|--|
| Provision for dividend at beginning of year | (16 000) | (16 000) | (26 332) | (26 332) |
| Dividend paid | 16 000 | 16 000 | 26 332 | 26 332 |
| Dividend provided | (1 000) | (1 000) | (16 000) | (16 000) |
| Provision for dividend at end of the year | (1 000) | (1 000) | (16 000) | (16 000) |

15. PROVISIONS

| | Economic Entity 2008 Notes \$'000 | Statutory Corporation 2008 \$'000 | Economic Entity 2007 \$'000 | Statutory Corporation 2007 \$'000 |
|--------------------------------|---|--|--------------------------------------|--|
| Current Liabilities | | | | |
| Employee Benefits | 11 697 | - | 11 003 | - |
| Workers Compensation | 770 | 770 | 820 | 820 |
| Other | | | | |
| Total Current Provisions* | 12 467 | 770 | 11 823 | 820 |
| Non Current Liabilities | | | | |
| Employee Benefits | 120 | - | 230 | - |
| Workers Compensation | 3 460 | 3 460 | 3 320 | 3 320 |
| Total Non current provisions* | 3 580 | 3 460 | 3 550 | 3 320 |
| Total Provisions | 16 047 | 4 230 | 15 373 | 4 140 |

The effect of the change in the discount rate applied 2008-6.5%, 17 000, 2007 -6.0% (2007 \$17 000)

Notes to and forming part of the financial statements

16. OTHER ASSETS**Accounting policy {AASB 119 – paragraph 120A (a)}**

Actuarial gains and losses are recognised immediately in profit and loss in the year in which they occur.

Fund information {AASB 119 – paragraph 120A (b)}

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

State Authorities Superannuation Scheme (SASS)

State Superannuation Scheme (SSS)

Police Superannuation Scheme (PSS)

State Authorities Non-contributory Superannuation Scheme (SANCS).

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

All the Schemes are closed to new members.

Reconciliation of the present value of the defined benefit obligation {AASB 119 – paragraph 120A(c)}

| | SASS | SANCS | SSS | TOTAL |
|---|---|---|---|---|
| | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ |
| Present value of partly funded defined benefit obligations at beginning of the year | 35 192 664 | 3 357 132 | 0 | 38 549 796 |
| Current service cost | 883 317 | 194 235 | 0 | 1 077 552 |
| Interest cost | 2 023 320 | 189 954 | 0 | 2 213 274 |
| Contributions by fund participants | 547 885 | 0 | 0 | 547 885 |
| Actuarial (gains)/losses | 2 422 459 | 12 171 | 0 | 2 434 630 |
| Benefits paid | (2 322 567) | (96 786) | 0 | (2 419 353) |
| Past service cost | 0 | 0 | 0 | 0 |
| Curtailments | 0 | 0 | 0 | 0 |
| Settlements | 0 | 0 | 0 | 0 |
| Business Combinations | 0 | 0 | 0 | 0 |
| Exchange rate changes | 0 | 0 | 0 | 0 |
| Present value of partly funded defined benefit obligations at end of the year | 38 747 078 | 3 656 706 | 0 | 42 403 784 |

Notes to and forming part of the financial statements

16. OTHER ASSETS (continued)**Reconciliation of the fair value of fund assets {AASB 119 – paragraph 120A (e)}**

| | SASS | SANCS | SSS | TOTAL |
|--|---|---|---|---|
| | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ |
| Fair value of Fund assets at beginning of the year | 38 132 139 | 3 923 711 | 0 | 42 055 850 |
| Expected return on fund assets | 2 866 394 | 295 630 | 0 | 3 162 024 |
| Actuarial gains/(losses) | 2 888 629 | 268 220 | 0 | 3 156 849 |
| Employer contributions | 935 935 | 198 006 | 0 | 1 133 941 |
| Contributions by Fund participants | 547 885 | 0 | 0 | 547 885 |
| Benefits paid | (2 332 567) | (96 786) | 0 | (2 429 353) |
| Settlements | 0 | 0 | 0 | 0 |
| Business combinations | 0 | 0 | 0 | 0 |
| Exchange rate changes | 0 | 0 | 0 | 0 |
| Fair value of Fund assets at end of the year | 43 038 415 | 4 588 781 | 0 | 47 627 196 |

Reconciliation of the assets and liabilities recognised in the balance sheet {AASB 119 – paragraphs 120A (d) and (f)}

| | SASS | SANCS | SSS | TOTAL |
|---|---|---|---|---|
| | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ |
| Present value of partly funded defined benefit obligations at end of year | 38 737 079 | 3 656 706 | 0 | 42 393 785 |
| Fair value of fund assets at end of year | (43 038 415) | (4 588 782) | 0 | (47 627 197) |
| Subtotal | (4 301 336) | (932 076) | 0 | (5 233 412) |
| Unrecognised past service cost | 0 | 0 | 0 | 0 |
| Unrecognised gain/(loss) | 0 | 0 | 0 | 0 |
| Adjustment for limitation on net asset | 0 | 0 | 0 | 0 |
| Net Liability/(Asset) recognised in balance sheet at end of year | (4 301 336) | (932 076) | 0 | (5 233 412) |

Notes to and forming part of the financial statements

16. OTHER ASSETS (continued)**Expense recognised in income statement {AASB 119 – paragraph 46 & 120A (g)}**

| | SASS | SANCS | SSS | TOTAL |
|--|---|---|---|---|
| | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ |
| Components Recognised in Income Statement | | | | |
| Current service cost | 883 317 | 194 235 | 0 | 1 077 552 |
| Interest cost | 2 023 320 | 189 954 | 0 | 2 213 274 |
| Expected return on Fund assets (net of expenses) | (2 866 394) | (295 630) | 0 | (3 162 024) |
| Actuarial losses/(gains) recognised in year | (466 169) | (256 049) | 0 | (722 218) |
| Past service cost | 0 | 0 | 0 | 0 |
| Movement in adjustment for limitation on net asset | 0 | 0 | 0 | 0 |
| Curtailement or settlement (gain)/loss | 0 | 0 | 0 | 0 |
| Expense/(income) recognised | (425 926) | (167 490) | 0 | (593 416) |

Amounts recognised in the statement of recognised income and expense {AASB 119 – paragraph 120A (h)}

| | SASS | SANCS | SSS | TOTAL |
|-----------------------------------|---|---|---|---|
| | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ |
| Actuarial (gains)/losses | 0 | 0 | 0 | 0 |
| Adjustment for limit on net asset | 0 | 0 | 0 | 0 |

Cumulative amount recognised in the statement of recognised income and expense {AASB 119 – paragraph 120A (i)}

| | SASS | SANCS | SSS | TOTAL |
|---|---|---|---|---|
| | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ |
| Cumulative amount of actuarial (gains)/losses | 0 | 0 | 0 | 0 |
| Cumulative adjustment for limitation on net asset | 0 | 0 | 0 | 0 |

Notes to and forming part of the financial statements

16. OTHER ASSETS (continued)

Fund assets {AASB 119 – paragraph 120A (j)}

| The percentage invested in each asset class at the balance sheet date: | |
|--|-----------|
| | 30-Jun-07 |
| Australian equities | 33.6% |
| Overseas equities | 26.5% |
| Australian fixed interest securities | 6.8% |
| Overseas fixed interest securities | 6.4% |
| Property | 10.1% |
| Cash | 9.8% |
| Other | 6.8% |

Fair value of Fund assets {AASB 119 – paragraph 120A (k)}

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

Expected rate of return on assets {AASB119 – paragraph 120A (l)}

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

Actual Return on Fund Assets {AASB 119 – paragraph 120A (m)}

| | SASS | SANCS | SSS | TOTAL |
|------------------------------|---|---|---|---|
| | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ |
| Actual return on Fund assets | 5 469 035 | 563 850 | 0 | 6 032 885 |

Notes to and forming part of the financial statements

16. OTHER ASSETS (continued)

Valuation method and principal actuarial assumptions at the balance sheet date {AASB 119 – paragraph 120A (n)}

a) Valuation Method

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

b) Economic Assumptions

| | 30-Jun-07 |
|---|---|
| Salary increase rate (excluding promotional increases) | 4.0% pa to June 2008; 3.5% pa thereafter |
| Rate of CPI Increase | 2.5% pa |
| Expected rate of return on assets backing current pension liabilities | 7.6% |
| Expected rate of return on assets backing other liabilities | 7.6% |
| Discount rate | 6.4% pa |

Historical information {AASB119 – paragraph 120A (p)}

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

Expected contributions {AASB119 – paragraph 120A (q)}

| | SASS | SANCS | SSS | TOTAL |
|---------------------------------|---------|---------|-----|-----------|
| | A\$ | A\$ | A\$ | A\$ |
| Expected employer contributions | 991 414 | 212 770 | 0 | 1 204 184 |

Notes to and forming part of the financial statements

16. OTHER ASSETS (continued)

Accounting policy {AASB 119 – paragraph 120A (a)}

Actuarial gains and losses are recognised immediately in profit and loss in the year in which they occur.

Fund information {AASB 119 – paragraph 120A (b)}

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

State Authorities Superannuation Scheme (SASS)

State Superannuation Scheme (SSS)

Police Superannuation Scheme (PSS)

State Authorities Non-contributory Superannuation Scheme (SANCS).

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

All the Schemes are closed to new members.

Reconciliation of the present value of the defined benefit obligation {AASB 119 – paragraph 120A(c)}

| | SASS | SANCS | SSS | TOTAL |
|---|---|---|---|---|
| | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ |
| Present value of partly funded defined benefit obligations at beginning of the year | 38 737 079 | 3 656 706 | 0 | 42 393 785 |
| Current service cost | 802 455 | 196 420 | 0 | 998 875 |
| Interest cost | 2 375 548 | 221 682 | 0 | 2 597 230 |
| Contributions by fund participants | 525 035 | 0 | 0 | 525 035 |
| Actuarial (gains)/losses | (1 629 328) | (15 493) | 0 | (1 644 821) |
| Benefits paid | (3 385 269) | (247 270) | 0 | (3 632 539) |
| Past service cost | 0 | 0 | 0 | 0 |
| Curtailments | 0 | 0 | 0 | 0 |
| Settlements | 0 | 0 | 0 | 0 |
| Business Combinations | 0 | 0 | 0 | 0 |
| Exchange rate changes | 0 | 0 | 0 | 0 |
| Present value of partly funded defined benefit obligations at end of the year | 37 425 520 | 3 812 045 | 0 | 41 237 565 |

Notes to and forming part of the financial statements

16. OTHER ASSETS (continued)**Reconciliation of the fair value of fund assets {AASB 119 – paragraph 120A (e)}**

| | SASS | SANCS | SSS | TOTAL |
|--|---|---|---|---|
| | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ |
| Fair value of Fund assets at beginning of the year | 43 038 415 | 4 588 781 | 0 | 47 627 196 |
| Expected return on fund assets | 3 185 176 | 349 247 | 0 | 3 534 423 |
| Actuarial gains/(losses) | (5 422 540) | (641 672) | 0 | (6 064 212) |
| Employer contributions | 1 101 756 | 228 888 | 0 | 1 330 644 |
| Contributions by Fund participants | 525 035 | 0 | 0 | 525 035 |
| Benefits paid | (3 385 269) | (247 270) | 0 | (3 632 539) |
| Settlements | 0 | 0 | 0 | 0 |
| Business combinations | 0 | 0 | 0 | 0 |
| Exchange rate changes | 0 | 0 | 0 | 0 |
| Fair value of Fund assets at end of the year | 39 042 573 | 4 277 974 | 0 | 43 320 547 |

Reconciliation of the assets and liabilities recognised in the balance sheet {AASB 119 – paragraphs 120A (d) and (f)}

| | SASS | SANCS | SSS | TOTAL |
|---|---|---|---|---|
| | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ |
| Present value of partly funded defined benefit obligations at end of year | 37 425 521 | 3 812 045 | 0 | 41 237 566 |
| Fair value of fund assets at end of year | (39 042 574) | (4 277 975) | 0 | (43 320 549) |
| Subtotal | (1 617 053) | (465 930) | 0 | (2 082 983) |
| Unrecognised past service cost | 0 | 0 | 0 | 0 |
| Unrecognised gain/(loss) | 0 | 0 | 0 | 0 |
| Adjustment for limitation on net asset | 0 | 0 | 0 | 0 |
| Net Liability/(Asset) recognised in balance sheet at end of year | (1 617 053) | (465 930) | 0 | (2 082 983) |

Notes to and forming part of the financial statements

16. OTHER ASSETS (continued)**Expense recognised in income statement {AASB 119 – paragraph 46 & 120A (g)}**

| | SASS | SANCS | SSS | TOTAL |
|--|---|---|---|---|
| | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ |
| Components Recognised in Income Statement | | | | |
| Current Service Cost | 802 455 | 196 420 | 0 | 998 875 |
| Interest cost | 2 375 548 | 221 682 | 0 | 2 597 230 |
| Expected return on Fund assets (net of expenses) | (3 185 176) | (349 247) | 0 | (3 534 423) |
| Actuarial losses/(gains) recognised in year | 3 793 213 | 626 179 | 0 | 4 419 392 |
| Past service cost | 0 | 0 | 0 | 0 |
| Movement in adjustment for limitation on net asset | 0 | 0 | 0 | 0 |
| Curtailement or settlement (gain)/loss | 0 | 0 | 0 | 0 |
| Expense/(income) recognised | 3 786 040 | 695 034 | 0 | 4 481 074 |

Amounts recognised in the statement of recognised income and expense {AASB 119 – paragraph 120A (h)}

| | SASS | SANCS | SSS | TOTAL |
|-----------------------------------|---|---|---|---|
| | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ |
| Actuarial (gains)/losses | 0 | 0 | 0 | 0 |
| Adjustment for limit on net asset | 0 | 0 | 0 | 0 |

Cumulative amount recognised in the statement of recognised income and expense {AASB 119 – paragraph 120A (i)}

| | SASS | SANCS | SSS | TOTAL |
|---|---|---|---|---|
| | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ |
| Cumulative amount of actuarial (gains)/losses | 0 | 0 | 0 | 0 |
| Cumulative adjustment for limitation on net asset | 0 | 0 | 0 | 0 |

Notes to and forming part of the financial statements

16. OTHER ASSETS (continued)**Fund assets {AASB 119 – paragraph 120A (j)}**

| The percentage invested in each asset class at the balance sheet date: | |
|--|-----------|
| | 30-Jun-08 |
| Australian equities | 31.6% |
| Overseas equities | 25.4% |
| Australian fixed interest securities | 7.4% |
| Overseas fixed interest securities | 7.5% |
| Property | 11.0% |
| Cash | 6.1% |
| Other | 11.0% |

Fair value of Fund assets {AASB 119 – paragraph 120A (k)}

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

Expected rate of return on assets {AASB119 – paragraph 120A (l)}

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

Actual Return on Fund Assets {AASB 119 – paragraph 120A (m)}

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

Valuation method and principal actuarial assumptions at the balance sheet date {AASB 119 – paragraph 120A (n)}**a) Valuation Method**

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

b) Economic Assumptions

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

Notes to and forming part of the financial statements

16. OTHER ASSETS (continued)**c) Demographic Assumptions**

The demographic assumptions at 30 June 2008 are those used in the 2006 triennial actuarial valuation. A selection

Of the most significant assumptions is shown below:

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

| Age /Nearest/ Birthday | Number of members expected in any one year, out of 10 000 members at the age shown to leave the fund as a result of : | | | | | Additional promotional salary Increase rate % |
|---------------------------|--|---------------------------------|------------|-------------|------------|---|
| | Death | Total & Permanent Disability | Retirement | Resignation | Redundancy | |
| Males | | | | | | |
| 30 | 4 | 8 | - | 280 | 150 | 2.90 |
| 40 | 6 | 10 | - | 150 | 150 | 1.80 |
| 50 | 11 | 30 | - | 112 | 150 | 0.00 |
| 60 | 30 | - | 1400 | - | 150 | 0.00 |
| Females | | | | | | |
| 30 | 2 | 2 | - | 372 | 150 | 2.90 |
| 40 | 3 | 6 | - | 175 | 150 | 1.80 |
| 50 | 7 | 28 | - | 144 | 150 | 0.00 |
| 60 | 18 | - | 1500 | - | 150 | 0.00 |

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

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

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

Notes to and forming part of the financial statements

16. OTHER ASSETS (continued)

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

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

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

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

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

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

Historical information {AASB119 – paragraph 120A (p)}

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

Notes to and forming part of the financial statements

16. OTHER ASSETS (continued)

Expected contributions {AASB119 – paragraph 120A (q)}

| | SASS | SANCS | SSS | TOTAL |
|---------------------------------|------|-------|-----|-------|
| | A\$ | A\$ | A\$ | A\$ |
| Expected employer contributions | 0 | 0 | 0 | 0 |

Funding Arrangements for Employer Contributions

(a) Surplus/Deficit

The following is a summary of 30 June 2008 financial position of the funds calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans".

| | SASS | SANCS | SSS | TOTAL |
|---------------------------------|------------------|------------------|------------------|--------------|
| | 30-Jun-08 A\$ | 30-Jun-08 A\$ | 30-Jun-08 A\$ | A\$ |
| Accrued Benefits | 37 334 009 | 3 826 933 | 0 | 41 160 942 |
| Net market value of Fund Assets | (39 042 574) | (4 277 975) | 0 | (43 320 549) |
| Net(surplus) | (1 708 565) | (451 042) | 0 | (2 159 607) |

(b) Contribution recommendations

Recommended contribution rates for the entity are

| SASS | SANCS | SSS | TOTAL |
|---------------------------------|--------------------|----------------------------------|-------|
| Multiple of Member Contribution | % of Member Salary | Multiple of Member contributions | |
| 0 | 0 | 0 | 0 |

(c) Funding method

The method used to determine the employer contribution recommendations at the last actuarial review was the Aggregate Funding Method. The method adopted affects the timing of the cost of the employer.

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

(d) Economic assumptions

The economic assumption adopted for the last actuarial review of the Fund were:

| Weighted-Average Assumptions | |
|--|----------|
| Expected rate of return on Fund assets backing current pension liabilities | 7.7% pa |
| Expected rate of return on Fund assets backing other liabilities | 7.00% pa |
| Expected salary increase rate | 4.00% pa |
| Expected rate of CPI increase | 2.5% pa |

Nature of Assets/Liability

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

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

Notes to and forming part of the financial statements

17. FINANCIAL INSTRUMENTS

Forests NSW principal financial instruments are outlined below. These financial instruments arise directly from Forests NSW operations or are required to finance Forests NSW operations. Forests NSW does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Forests NSW main risks arising from financial instruments are outlined below, together with Forests NSW objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this financial report.

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

(a) Credit Risk

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

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

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

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

Forests NSW has a Credit Policy, which aims to mitigate the credit risk exposure to our sales customers. Customers are assessed with some required to lodge suitable security for the estimated maximum credit exposure based on average monthly sales. The policy requires stringent credit assessment of customers before the granting of any unsecured credit.

(b) Liquidity Risk

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

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

(c) Market Risk

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which Forests NSW operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the balance sheet date. The analysis is performed on the same basis for 2007. The analysis assumes that all other variables remain constant.

(d) Interest rate risk

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

Forests NSW's exposure to interest rates is set out in notes 6 and 13. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Forests NSW intends to hold fixed interest assets and liabilities to maturity. Interest rate exposure is limited to interest rates available at the time of entering into arrangements with NSW Treasury Corporation. The assets or liabilities are held until maturity.

(e) Other price risk – T Corp Hour Glass Investment facilities

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

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

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

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

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

Notes to and forming part of the financial statements

17. FINANCIAL INSTRUMENTS (continued)**(f) Other Quantitative Disclosures:-**

| | 2008 | 2007 |
|--|-----------|----------|
| (i) Unrealised Gains/(Losses) From Derivatives | \$105 439 | \$16 955 |

(ii) Contractual Maturity Analysis

Contractual maturity analysis of financial liabilities based on undiscounted cash flows

2007

| Category | Ageing Order | | | Total Cash Flows | Market Value |
|-----------------------|-----------------|-------------------|-----------------|------------------|------------------|
| | < 1 year | 1 year to 5 years | > 5 years | | |
| Short Term Borrowings | (5 438 088.74) | | | (5 438 088.74) | (5 422 526.35) |
| Fixed Rate Borrowings | (30 120 032.66) | (96 595 064.67) | (74 035 940.03) | (200 751 037.36) | (148 045 498.84) |

2008

| Category | Ageing Order | | | Total Cash Flows | Market Value |
|-----------------------|-----------------|-------------------|------------------|------------------|------------------|
| | < 1 year | 1 year to 5 years | > 5 years | | |
| Short Term Borrowings | (10 688 628.43) | | | (10 688 628.43) | (10 610 322.38) |
| Fixed Rate Borrowings | (9 711 446.28) | (107 000 365.61) | (100 294 970.71) | (217 006 782.60) | (155 383 394.03) |

(iii) Sensitivity Analysis

- Interest Rate Risk

| | 2008 | 2007 |
|--|-------------|-------------|
| Approximate increase (decrease) in fair value of financial liabilities assuming one percentage point decrease (increase) in interest rates | \$6 400 000 | \$5 900 000 |

- Hour-Glass Investment Facilities

| | Change in Unit price | Impact on profit/loss | |
|--------------------------|----------------------|-----------------------|------------|
| | | 2008 \$ | 2007 \$ |
| Hour-Glass Cash Facility | +/- 1% | +/- 430 | +/- 20 671 |

The above Hour-Glass Investment Facility fair value sensitivity percentage is derived from historically based volatility information collected over a ten year period, quoted at two standard deviations (i.e. 95% probability).

(iv) Net Fair Value of Financial Assets and Liabilities**a. Off Balance Sheet**

Forests NSW have potential financial liabilities which may arise from certain contingencies disclosed in Note 21- Contingent Liabilities. As explained in the note some of the claims can't be quantified in terms of the likely impact on the carrying value of the Forests NSW asset.

b. On Balance Sheet

The net fair value of cash and cash equivalents, the non interest bearing monetary financial assets, and the financial liabilities of Forests NSW approximate their carrying value. Monetary dealing of the financial assets and liabilities are restricted to trading with and by the NSW Treasury Corporation.

Notes to and forming part of the financial statements

17. FINANCIAL INSTRUMENTS (continued)

All Balance Sheet assets are disclosed in the following tables :

Statutory Body

| 2007 | | 1 Year or Less \$'000 | Over 1 to 5 Years \$'000 | More than 5 Years \$'000 | Non Interest Bearing \$'000 | Total \$'000 |
|------------------------------|-------|-----------------------------|--------------------------------|--------------------------------|-----------------------------------|-----------------|
| | Notes | | | | | |
| Financial Assets | | | | | | |
| Cash and Cash Equivalents | 6 | 5 615 | | | | 5 615 |
| Receivables | 8 | | | | 42 229 | 42 229 |
| Prepayments | | | | | 2 951 | 2 951 |
| Total Financial Assets | | 5 615 | | | 45 180 | 50 795 |
| Financial Liabilities | | | | | | |
| Bank Overdraft and Loans | 13 | 31 211 | 69 603 | 58 929 | | 159 743 |
| Trade and Other Payables | 12 | | | | 52 752 | 52 752 |
| Total Financial Liabilities | | 31 211 | 69 603 | 58 929 | 52 752 | 212 495 |
| Net Financial Liabilities | | (25 596) | (69 603) | (58 929) | (7 572) | (161 700) |

The carrying values of financial instruments equal to the fair value except for loans where the fair value is \$157 916 609

| 2007 | | Weighted Average Rate |
|---------------------------------|--|-----------------------|
| UBS Australian Bank Bill index | | 6.42% |
| T-Corp hour Glass Cash Facility | | 6.41% |

Statutory Body

| 2008 | | 1 Year or Less \$'000 | Over 1 to 5 Years \$'000 | More than 5 Years \$'000 | Non Interest Bearing \$'000 | Total \$'000 |
|------------------------------|-------|-----------------------------|--------------------------------|--------------------------------|-----------------------------------|-----------------|
| | Notes | | | | | |
| Financial Assets | | | | | | |
| Cash and Cash Equivalents | 6 | 11 640 | | | | 11 640 |
| Receivables | 8 | | | | 40 542 | 40 542 |
| Prepayments | | | | | 1 896 | 1 896 |
| Total Financial Assets | | 11 640 | | | 42 438 | 54 078 |
| Financial Liabilities | | | | | | |
| Bank Overdraft and Loans | 13 | 10 562 | 77 335 | 81 592 | | 169 489 |
| Trade and Other Payables | 12 | | | | 49 631 | 49 631 |
| Total Financial Liabilities | | 10 562 | 77 335 | 81 592 | 49 631 | 219 120 |
| Net Financial Liabilities | | 1 078 | (77 335) | (81 592) | (7 193) | (165 042) |

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

| 2008 | | Weighted Average Rate |
|---------------------------------|--|-----------------------|
| UBS Australian Bank Bill index | | 7.34% |
| T-Corp hour Glass Cash Facility | | 6.82% |

Notes to and forming part of the financial statements

17. FINANCIAL INSTRUMENTS (continued)**Economic Entity**

| 2007 | | 1 Year or Less | Over 1 to 5 Years | More than 5 Years | Non Interest Bearing | Total \$'000 |
|------------------------------|-------|-------------------|----------------------|----------------------|-------------------------|-----------------|
| | Notes | \$'000 | \$'000 | \$'000 | \$'000 | |
| Financial Assets | | | | | | |
| Cash and Cash Equivalents | 6 | 5 615 | | | | 5 615 |
| Receivables | 8 | | | | 42 229 | 42 229 |
| Prepayments | | | | | 2 951 | 2 951 |
| Total Financial Assets | | 5 615 | | | 45 180 | 50 795 |
| Financial Liabilities | | | | | | |
| Bank Overdraft and Loans | 13 | 31 211 | 69 603 | 58 929 | | 159 743 |
| Trade and Other Payables | 12 | | | | 52 752 | 52 752 |
| Total Financial Liabilities | | 31 211 | 69 603 | 58 929 | 52 752 | 212 495 |
| Net Financial Liabilities | | (25 596) | (69 603) | (58 929) | (7 572) | (161 700) |

The carrying values of financial instruments equal to the fair value except for loans where the fair value is \$157 916 609

| 2007 | Weighted Average Rate |
|---------------------------------|-----------------------|
| UBS Australian Bank Bill Index | 6.42% |
| T-Corp hour Glass Cash Facility | 6.41% |

Economic Entity

| 2008 | | 1 Year or Less | Over 1 to 5 Years | More than 5 Years | Non Interest Bearing | Total \$'000 |
|------------------------------|-------|-------------------|----------------------|----------------------|-------------------------|-----------------|
| | Notes | \$'000 | \$'000 | \$'000 | \$'000 | |
| Financial Assets | | | | | | |
| Cash and Cash Equivalents | 6 | 11 640 | | | | 11 640 |
| Receivables | 8 | | | | 40 542 | 40 542 |
| Prepayments | | | | | 1 896 | 1 896 |
| Total Financial Assets | | 11 640 | | | 42 438 | 54 078 |
| Financial Liabilities | | | | | | |
| Bank Overdraft and Loans | 13 | 10 562 | 77 335 | 81 592 | | 169 489 |
| Trade and Other Payables | 12 | | | | 49 631 | 49 631 |
| Total Financial Liabilities | | 10 562 | 77 335 | 81 592 | 49 631 | 219 120 |
| Net Financial Liabilities | | 1 078 | (77 335) | (81 592) | (7 193) | (165 042) |

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

| 2008 | Weighted Average Rate |
|---------------------------------|-----------------------|
| UBS Australian Bank Bill Index | 7.34% |
| T-Corp hour Glass Cash Facility | 6.82% |

Notes to and forming part of the financial statements

c. Other Qualitative Disclosures:**Managed debt portfolios**

NSW Treasury Corporation (T Corp) manages interest rate risk exposures applicable to specific borrowings of Forests NSW in accordance with a debt portfolio mandate agreed between the two parties. TCorp receives a fee for this service, [which may include a performance component where TCorp is able to add value by achieving a reduction in [the agency's] debt costs against an agreed benchmark]. TCorp uses derivatives, primarily interest rate futures, to establish short-term (tactical) and longer term (strategic) positions within agreed tolerance limits to manage portfolio duration and maturity profiles. At reporting date the carrying value of borrowings and derivatives (net of funds held at call) managed by TCorp stood at \$165.2 million (2007:\$157.9 million).

Hour-Glass Investment Facilities

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

| Facility | Investment Sectors | Investment Horizon |
|---------------|--------------------------------|--------------------|
| Cash Facility | Cash, Money market instruments | Up to 2 years |

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

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

18. OPERATING LEASES AND HIRE PURCHASE

At balance date Forests NSW had operating lease/rental agreements totalling \$2 003 000 (2007: \$1 667 000). These agreements relate to occupancy of offices throughout the State. Forests NSW had no other material lease and hire purchase agreements.

| | Economic Entity 2008 \$'000 | Statutory Corporation 2008 \$'000 | Economic Entity 2007 \$'000 | Statutory Corporation 2007 \$'000 |
|---|--------------------------------------|--|--------------------------------------|--|
| Not later than one year | 662 | 662 | 648 | 648 |
| Later than one year and not later than five years | 1 020 | 1 020 | 710 | 710 |
| Later than five years | 321 | 321 | 309 | 309 |
| Total (including GST) | 2 003 | 2 003 | 1 667 | 1 667 |

19. REMUNERATION OF EXTERNAL AUDITORS

| | Economic Entity 2008 \$'000 | Statutory Corporation 2008 \$'000 | Economic Entity 2007 \$'000 | Statutory Corporation 2007 \$'000 |
|---|--------------------------------------|--|--------------------------------------|--|
| Audit Office of NSW – Audit of financial statements | 370 | 370 | 298 | 298 |

20. CONSULTANTS

Forests NSW engaged consultants to undertake activities, which require specialist or independent skills. In 2008 the total cost for consultants was \$212 946 (2007: \$210 274).

Notes to and forming part of the financial statements

21. CONTINGENT LIABILITIES

During the financial year 2007/2008, 289 hectares of Timber Reserves in the Western region have been subject to claims under the Native Title Act. The impact of the claim on the carrying amount of the asset can't be quantified at this time.

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

22. COMMITMENTS

At balance date Forests NSW has the following commitments:

| | 2008 \$'000 | 2007 \$'000 |
|------------------------------------|----------------|----------------|
| i) Capital: | | |
| Establishment of Biological Assets | 4 048 | 1 626 |
| Others | 8 763 | 1 700 |
| | 12 811 | 3 326 |
| ii) Operating | | |
| | 263 | 17 |
| Total Commitments (a) | 13 074 | 3 343 |
| Input tax Credits (b) | 1 170 | 303 |

(a) All commitments are expected to be expended in the next financial year and include input tax credits.

(b) Input tax credits are expected to be recoverable from the Australian Taxation Office

23. RELATED ENTITIES

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

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

(i) Income Statements

| Income Statements 2007 | Supply of Personnel Services \$'000 | Less Charge back for transfer of Superannuation Gain \$'000 | Total Net Supply \$'000 | Economic Entity \$'000 | Statutory Corporation \$'000 |
|----------------------------------|--|--|----------------------------|------------------------------|------------------------------------|
| Department of Primary Industries | 50 682 | (4 663) | 46 019 | 46 019 | 46 019 |
| Forestry Commission Division | 29 465 | (1 621) | 27 844 | - | 27 844 |
| Total | 80 147 | (6 284) | 73 863 | 46 019 | 73 863 |

Notes to and forming part of the financial statements

23. RELATED ENTITIES (continued)**(ii) Balance Sheet**

| Balance Sheet 2007 | Economic Entity Other Assets \$'000 | Statutory Corporation Other Assets \$'000 | Economic Entity Non Current Liabilities \$'000 | Statutory Corporation Non Current Liabilities \$'000 |
|----------------------------------|---|--|---|--|
| | <i>Notes</i> | | | |
| Department of Primary Industries | 11 015 | 11 015 | 24 414 | 24 414 |
| Forestry Commission Division | *- | 5 234 | - | 11 233 |
| Prepaid Superannuation Assets | 16(b) 5 234 | - | - | - |
| Total | 16 249 | 16 249 | 24 414 | 35 647 |

*On consolidation, the economic entity has a prepaid superannuation asset. Refer to note 16(b)

(iii) Income Statements

| Income Statements 2008 | Supply of Personnel Services \$'000 | Less Charge back for transfer of Superannuation Gain \$'000 | Total Net Supply \$'000 | Economic Entity \$'000 | Statutory Corporation \$'000 |
|----------------------------------|--|---|----------------------------|------------------------------|------------------------------------|
| Department of Primary Industries | 54 136 | - | 54 136 | 54 136 | 54 136 |
| Forestry Commission Division | 29 389 | - | 29 389 | - | 29 389 |
| Total | 83 525 | - | 83 525 | 54 136 | 83 525 |

(iv) Balance Sheet

| Balance Sheet 2008 | Economic Entity Other Assets \$'000 | Statutory Corporation Other Assets \$'000 | Economic Entity Non Current Liabilities \$'000 | Statutory Corporation Non Current Liabilities \$'000 |
|----------------------------------|---|--|--|--|
| | <i>Notes</i> | | | |
| Department of Primary Industries | 9 212 | 9 212 | 24 949 | 24 949 |
| Forestry Commission Division | *- | 2 083 | - | 11 817 |
| Prepaid Superannuation Assets | 2 083 | - | - | - |
| Total | 11 295 | 11 295 | 24 949 | 36 766 |

*On consolidation, the economic entity has a prepaid superannuation asset. Refer to note 16(b)

Notes to and forming part of the financial statements

23. RELATED ENTITIES (continued)**Key Management Personnel:**

| | |
|-----------------------|---|
| i) Barry Buffer | Commissioner for Forests NSW(01/07/04-01/01/08) |
| ii) Richard Sheldrake | Commissioner for Forests NSW(02/01/08) |
| iii) Alastair Howard | Acting CEO (10/03/2006-30/04/2007) |
| iv) Nick Roberts | CEO (30/04/2007) |

| | Short-Term Employee Benefits \$'000 | Post Employment Benefits \$'000 | Other Long Term Benefits \$'000 | Termination Benefits \$'000 | Share-based payment \$'000 | Total \$'000 |
|---------------------------------|--|--|---------------------------------------|-----------------------------------|----------------------------------|-----------------|
| 30 June 2008 Total Compensation | 309 | - | - | - | - | 309 |
| 30 June 2007 Total Compensation | 253 | - | - | - | - | 253 |

The Commissioner for Forests NSW does not received any remuneration for services rendered to Forests NSW.

All transactions by Forests NSW with key management personnel are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions.

There are no outstanding balances relating to any key management personnel and no guarantees provided or received as well by the key management personnel. For the year ended 30 June 2008, Forests NSW has not raised any provision for doubtful debts relating to amounts owed by key management personnel (2007 nil).

24. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

| | Economic Entity 2008 \$'000 | Statutory Corporation 2008 \$'000 | Economic Entity 2007 \$'000 | Statutory Corporation 2007 \$'000 |
|---|--------------------------------------|--|--------------------------------------|--|
| Net/(loss) after income tax | 80 372 | 80 372 | (98 355) | (98 355) |
| | 80 372 | 80 372 | (98 355) | (98 355) |
| Adjusted for non-cash items: | | | | |
| Depreciation | 10 477 | 10 477 | 10 254 | 10 254 |
| Loss/(Profit) on disposal of non-current assets | 3 635 | 3 635 | 744 | 744 |
| Write-down of plantation , Asset Revocations, Revaluation, (Increment) / Decrement to Profit Loss , Non cash items | 38 285 | 38 285 | (30 585) | (30 585) |
| Biological assets: Revaluation (Increment)/Decrement • Native Forests | 20 261 | 20 261 | 32 866 | 32 866 |
| Softwood Plantations | (100 219) | (100 219) | 139 775 | 139 775 |
| | 52 811 | 52 811 | 153 054 | 153 054 |
| Change in operating assets and liabilities: | | | | |
| Movement in receivables | (7 120) | (7 120) | 3 139 | 3 139 |
| Movement in inventories | (446) | (446) | (996) | (996) |
| Movement in creditors | 5 704 | 5 704 | (1 055) | (1 055) |
| Movement in provisions | 7 255 | 7 255 | (2 299) | (2 299) |
| Movement in income tax | (4 599) | (4 599) | (2 705) | (2 705) |
| | 794 | 794 | (3 916) | (3 916) |
| Net cash inflow from operating activities | 53 605 | 53 605 | 50 783 | 50 783 |

As at 30 June 2008, Forests NSW had \$5 000 000 available in unused credit a 'Come and Go' Facility held with NSW T-Corp.

End of Audited Financial Statements


**STATEMENT BY DIVISION HEAD
(AS PUBLIC SECTOR EMPLOYMENT LEGISLATION AMENDMENT ACT 2006)**

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

In my opinion, the accompanying financial statements present a true and fair view of the financial position of the Forestry Commission Division as at 30 June 2008.

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

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



Richard Shel Drake
Director-General of The NSW Department of Primary Industries.
17th December, 2008.



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT Forestry Commission Division

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Forestry Commission Division (the Division), which comprises the balance sheet as at 30 June 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents a fairly, in all material respects, the financial position of the Division as at 30 June 2008, and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the Public Finance and Audit Act 1983 (the PF&A Act) and the Public Finance and Audit Regulation 2005.

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

The Director General's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

My opinion does not provide assurance:

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

Independence

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

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

Ron Hegarty
Director, Finance Audit Services

17 December 2008
SYDNEY

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE, 2008

| | <i>Notes</i> | 2008 \$'000 | 2007 \$'000 |
|---|--------------|----------------|----------------|
| Income | | | |
| Personnel Services | 4 | 29 389 | 27 844 |
| Total Revenue | | 29 389 | 27 844 |
| Less Expenses from continuing operations | | | |
| Wages | | 18 743 | 21 230 |
| Superannuation | | 4 707 | 848 |
| Annual and Long Service Leave | | 4 209 | 3 012 |
| Payroll tax | | 1 257 | 1 477 |
| Worker Comp | | 435 | 1 214 |
| Fringe Benefits Tax | | 38 | 63 |
| Total expenses | | 29 389 | 27 844 |
| Net profit/(Loss) for the period | | 0 | 0 |

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

BALANCE SHEET AS AT 30 JUNE, 2008

| | <i>Notes</i> | 2008 \$'000 | 2007 \$'000 |
|------------------------------|--------------|----------------|----------------|
| Current assets | | | |
| Receivables | | 11 817 | 11 233 |
| Other Assets | 2 | 2 083 | 5 234 |
| Total Assets | | 13 900 | 16 467 |
| Current Liabilities | | | |
| Provisions | 3 | 11 697 | 11 003 |
| Amount Due to Related Entity | 4 | 2 083 | 5 234 |
| Total Current liabilities | | 13 780 | 16 237 |
| Non Current Liabilities | 3 | 120 | 230 |
| Total Liabilities | | 13 900 | 16 467 |
| Equity | | | |
| Accumulated Funds | | 0 | 0 |
| Total Equity | | 0 | 0 |

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

CASH FLOW STATEMENT For the year ended 30 June, 2008

| | Notes | 2008 \$'000 | 2007 \$'000 |
|---|-------|----------------|----------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | - | - |
| Payment to suppliers and employees | | - | - |
| Interest received | | - | - |
| Income Taxes Paid | | - | - |
| Net cash inflow from operating activities | | 0 | 0 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | - | - |
| Payments for plantation establishment | | - | - |
| Capitalised Interest on Borrowings | | - | - |
| Proceeds from sale of property, plant & equipment | | - | - |
| Net cash outflow from investing activities | | 0 | 0 |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | - | - |
| Repayment of borrowings | | - | - |
| Dividends paid | | - | - |
| Net cash inflow (outflow) from financing activities | | 0 | 0 |
| Net increase (decrease) in cash held | | - | - |
| Cash at the beginning of the financial year | | - | - |
| Cash and cash equivalents at the end of the period | | 0 | 0 |

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE, 2008

| | Capital \$'000 | Accumulated Funds \$'000 | Total Equity \$'000 |
|-----------------|-------------------|-----------------------------|------------------------|
| At 01/07/2007 | 0 | 0 | 0 |
| At 30 June 2008 | 0 | 0 | 0 |

FOR THE YEAR ENDED 30 JUNE, 2007

| | Capital \$'000 | Accumulated Funds \$'000 | Total Equity \$'000 |
|-----------------|-------------------|-----------------------------|------------------------|
| At 1/07/2006 | 0 | 0 | 0 |
| At 30 June 2007 | 0 | 0 | 0 |

The above statement of equity should be read in conjunction with the accompanying notes.

Notes to and forming part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**Note 1 Summary of Significant Accounting Policies****a) Reporting entity**

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

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

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

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

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

The financial report was authorised for issue by Richard, Director-General of the NSW Department of Primary Industries on 17th December, 2008

(b) Basis of preparation

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

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

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

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

(c) Income

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

(d) Receivables

A receivable is recognised when it is probable that the future cash inflows associated with it will be realised and it has a value that can be measured reliably. It is derecognised when the contractual or other rights to future cash flows from it expire or are transferred. A receivable is measured initially at fair value and subsequently at amortised cost using the effective interest rate method, less any allowance for doubtful debts. A short-term receivable with no stated interest rate is measured at the original invoice amount where the effect of discounting is immaterial. An invoiced receivable is due for settlement within thirty days of invoicing. If there is objective evidence at year end that a receivable may not be collectable, its carrying amount is reduced by means of an allowance for doubtful debts and the resulting loss is recognised in the income statement. Receivables are monitored during the year and bad debts are written off against the allowance when they are determined to be irrecoverable. Any other loss or gain arising when a receivable is derecognised is also recognised in the income statement.

(e) Payables

Payables include accrued wages, salaries, and related on costs (such as

payroll tax, fringe benefits tax and workers' compensation insurance) where there is certainty as to the amount and timing of settlement).

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

(f) Employee benefit provisions and expenses

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

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

Long Service leave liability was actuarially assessed as at 30/06/2008.

Superannuation liability for defined benefit funds for NSW state employees are actuarially assessed by Pillar Administration prior to each reporting date and are measured at the present value of the estimated future payments.

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

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

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

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

(g) Adoption of new and revised Accounting Standards.

In the current year, Forestry Commission Division has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (The AASB) that are relevant to its operations and effective for the current annual reporting period. The following standards listed below only impacted on the Economic Entity financial statements with respect to disclosure

- AASB 7 Financial instruments: Disclosures
- AASB 101 Presentation of financial statements(revised October 2006)

At the date of authorisation of the financial report, the following Standards and Interpretations were on issue but yet effective:

- | | |
|--|--|
| • AASB 8 'Operating Segments' and consequential amendments to other accounting standards resulting from its issue. | • Effective for annual reporting periods beginning on or after 1 January 2009. |
|--|--|

Notes to and forming part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Early adoption of new or revised Accounting Standards/Interpretation.

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

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

- Interpretation 12 and AASB 2007-2 regarding service concession arrangements;
- Interpretation 13 on customer loyalty programmes;
- Interpretation 14 regarding the limit on a defined benefit asset;
- Interpretation 129 (Feb 2007) regarding service concession disclosures;
- Interpretation 1038 (Dec 2007) regarding contributions by owners.

2. OTHER ASSETS

Accounting policy {AASB 119 – paragraph 120A (a)}

Actuarial gains and losses are recognised immediately in profit and loss in the year in which they occur.

Fund information {AASB 119 – paragraph 120A (b)}

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

State Authorities Superannuation Scheme (SASS)

State Superannuation Scheme (SSS)

Police Superannuation Scheme (PSS)

State Authorities Non-contributory Superannuation Scheme (SANCS).

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

All the Schemes are closed to new members.

Reconciliation of the present value of the defined benefit obligation {AASB 119 – paragraph 120A(c)}

| | SASS | SANCS | SSS | TOTAL |
|---|---|---|---|---|
| | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ |
| Present value of partly funded defined benefit obligations at beginning of the year | 35 192 664 | 3 357 132 | 0 | 38 549 796 |
| Current service cost | 883 317 | 194 235 | 0 | 1 077 552 |
| Interest cost | 2 023 320 | 189 954 | 0 | 2 213 274 |
| Contributions by fund participants | 547 885 | 0 | 0 | 547 885 |
| Actuarial (gains)/losses | 2 422 459 | 12 171 | 0 | 2 434 630 |
| Benefits paid | (2 322 567) | (96 786) | 0 | (2 419 353) |
| Past service cost | 0 | 0 | 0 | 0 |
| Curtailments | 0 | 0 | 0 | 0 |
| Settlements | 0 | 0 | 0 | 0 |
| Business Combinations | 0 | 0 | 0 | 0 |
| Exchange rate changes | 0 | 0 | 0 | 0 |
| Present value of partly funded defined benefit obligations at end of the year | 38 747 078 | 3 656 706 | 0 | 42 403 784 |

Notes to and forming part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**2. OTHER ASSETS (continued)****Reconciliation of the fair value of fund assets {AASB 119 – paragraph 120A (e)}**

| | SASS | SANCS | SSS | TOTAL |
|--|---|---|---|---|
| | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ |
| Fair value of Fund assets at beginning of the year | 38 132 139 | 3 923 711 | 0 | 42 055 850 |
| Expected return on fund assets | 2 866 394 | 295 630 | 0 | 3 162 024 |
| Actuarial gains/(losses) | 2 888 629 | 268 220 | 0 | 3 156 849 |
| Employer contributions | 935 935 | 198 006 | 0 | 1 133 941 |
| Contributions by Fund participants | 547 885 | 0 | 0 | 547 885 |
| Benefits paid | (2 332 567) | (96 786) | 0 | (2 429 353) |
| Settlements | 0 | 0 | 0 | 0 |
| Business combinations | 0 | 0 | 0 | 0 |
| Exchange rate changes | 0 | 0 | 0 | 0 |
| Fair value of Fund assets at end of the year | 43 038 415 | 4 588 781 | 0 | 47 627 196 |

Reconciliation of the assets and liabilities recognised in the balance sheet {AASB 119 – paragraphs 120A (d) and (f)}

| | SASS | SANCS | SSS | TOTAL |
|---|---|---|---|---|
| | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ |
| Present value of partly funded defined benefit obligations at end of year | 38 737 079 | 3 656 706 | 0 | 42 393 785 |
| Fair value of fund assets at end of year | (43 038 415) | (4 588 782) | 0 | (47 627 197) |
| Subtotal | (4 301 336) | (932 076) | 0 | (5 233 412) |
| Unrecognised past service cost | 0 | 0 | 0 | 0 |
| Unrecognised gain/(loss) | 0 | 0 | 0 | 0 |
| Adjustment for limitation on net asset | 0 | 0 | 0 | 0 |
| Net Liability/(Asset) recognised in balance sheet at end of year | (4 301 336) | (932 076) | 0 | (5 233 412) |

Notes to and forming part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**2. OTHER ASSETS (continued)****Expense recognised in income statement {AASB 119 – paragraph 46 & 120A (g)}**

| | SASS | SANCS | SSS | TOTAL |
|--|---|---|---|---|
| | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ |
| Components Recognised in Income Statement | | | | |
| Current service cost | 883 317 | 194 235 | 0 | 1 077 552 |
| Interest cost | 2 023 320 | 189 954 | 0 | 2 213 274 |
| Expected return on Fund assets (net of expenses) | (2 866 394) | (295 630) | 0 | (3 162 024) |
| Actuarial losses/(gains) recognised in year | (466 169) | (256 049) | 0 | (722 218) |
| Past service cost | 0 | 0 | 0 | 0 |
| Movement in adjustment for limitation on net asset | 0 | 0 | 0 | 0 |
| Curtailement or settlement (gain)/loss | 0 | 0 | 0 | 0 |
| Expense/(income) recognised | (425 926) | (167 490) | 0 | (593 416) |

Amounts recognised in the statement of recognised income and expense {AASB 119 – paragraph 120A (h)}

| | SASS | SANCS | SSS | TOTAL |
|-----------------------------------|---|---|---|---|
| | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ |
| Actuarial (gains)/losses | 0 | 0 | 0 | 0 |
| Adjustment for limit on net asset | 0 | 0 | 0 | 0 |

Cumulative amount recognised in the statement of recognised income and expense {AASB 119 – paragraph 120A (i)}

| | SASS | SANCS | SSS | TOTAL |
|---|---|---|---|---|
| | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ |
| Cumulative amount of actuarial (gains)/losses | 0 | 0 | 0 | 0 |
| Cumulative adjustment for limitation on net asset | 0 | 0 | 0 | 0 |

Fund assets {AASB 119 – paragraph 120A (j)}

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

| | 30-Jun-07 |
|--------------------------------------|-----------|
| Australian equities | 33.6% |
| Overseas equities | 26.5% |
| Australian fixed interest securities | 6.8% |
| Overseas fixed interest securities | 6.4% |
| Property | 10.1% |
| Cash | 9.8% |
| Other | 6.8% |

Notes to and forming part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**2. OTHER ASSETS (continued)****Fair value of Fund assets {AASB 119 – paragraph 120A (k)}**

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

Expected rate of return on assets {AASB119 – paragraph 120A (l)}

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

Actual Return on Fund Assets {AASB 119 – paragraph 120A (m)}**Actual Return on Fund Assets {AASB 119 – paragraph 120A (m)}**

| | SASS | SANCS | SSS | TOTAL |
|------------------------------|---|---|---|---|
| | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ | Financial Year to 30 June 2007 \$ |
| Actual return on Fund assets | 5 469 035 | 563 850 | 0 | 6 032 885 |

Valuation method and principal actuarial assumptions at the balance sheet date {AASB 119 – paragraph 120A (n)}**a) Valuation Method**

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

b) Economic Assumptions

| | 30-Jun-07 |
|---|--|
| Salary increase rate (excluding promotional increases) | 4.0% pa to June 2008; 3.5% pa thereafter |
| Rate of CPI Increase | 2.5% pa |
| Expected rate of return on assets backing current pension liabilities | 7.6% |
| Expected rate of return on assets backing other liabilities | 7.6% |
| Discount rate | 6.4% pa |

Historical information {AASB119 – paragraph 120A (p)}

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

Expected contributions {AASB119 – paragraph 120A (q)}

| | SASS | SANCS | SSS | TOTAL |
|---------------------------------|---------|---------|-----|-----------|
| | A\$ | A\$ | A\$ | A\$ |
| Expected employer contributions | 991 414 | 212 770 | 0 | 1 204 184 |

Notes to and forming part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**2. OTHER ASSETS (continued)****Accounting policy {AASB 119 – paragraph 120A (a)}**

Actuarial gains and losses are recognised immediately in profit and loss in the year in which they occur.

Fund information {AASB 119 – paragraph 120A (b)}

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

State Authorities Superannuation Scheme (SASS)

State Superannuation Scheme (SSS)

Police Superannuation Scheme (PSS)

State Authorities Non-contributory Superannuation Scheme (SANCS).

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

All the Schemes are closed to new members.

Reconciliation of the present value of the defined benefit obligation {AASB 119 – paragraph 120A(c)}

| | SASS | SANCS | SSS | TOTAL |
|---|---|---|---|---|
| | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ |
| Present value of partly funded defined benefit obligations at beginning of the year | 38 737 078 | 3 656 706 | 0 | 42 393 784 |
| Current service cost | 802 455 | 196 420 | 0 | 998 875 |
| Interest cost | 2 375 548 | 221 682 | 0 | 2 597 230 |
| Contributions by fund participants | 525 035 | 0 | 0 | 525 035 |
| Actuarial (gains)/losses | (1 629 328) | (15 493) | 0 | (1 644 821) |
| Benefits paid | (3 385 269) | (247 270) | 0 | (3 632 539) |
| Past service cost | 0 | 0 | 0 | 0 |
| Curtailments | 0 | 0 | 0 | 0 |
| Settlements | 0 | 0 | 0 | 0 |
| Business Combinations | 0 | 0 | 0 | 0 |
| Exchange rate changes | 0 | 0 | 0 | 0 |
| Present value of partly funded defined benefit obligations at end of the year | 37 425 519 | 3 812 045 | 0 | 41 237 564 |

Reconciliation of the fair value of fund assets {AASB 119 – paragraph 120A (e)}

| | SASS | SANCS | SSS | TOTAL |
|--|---|---|---|---|
| | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ |
| Fair value of Fund assets at beginning of the year | 43 038 415 | 4 588 781 | 0 | 47 627 196 |
| Expected return on fund assets | 3 185 176 | 349 247 | 0 | 3 534 423 |
| Actuarial gains/(losses) | (5 422 540) | (641 672) | 0 | (6 064 212) |
| Employer contributions | 1 101 756 | 228 888 | 0 | 1 330 644 |
| Contributions by Fund participants | 525 035 | 0 | 0 | 525 035 |
| Benefits paid | (3 385 269) | (247 270) | 0 | (3 632 539) |
| Settlements | 0 | 0 | 0 | 0 |
| Business combinations | 0 | 0 | 0 | 0 |
| Exchange rate changes | 0 | 0 | 0 | 0 |
| Fair value of Fund assets at end of the year | 39 042 573 | 4 277 974 | 0 | 43 320 547 |

Notes to and forming part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**2. OTHER ASSETS (continued)****Reconciliation of the assets and liabilities recognised in the balance sheet {AASB 119 – paragraphs 120A (d) and (f)}**

| | SASS | SANCS | SSS | TOTAL |
|---|---|---|---|---|
| | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ |
| Present value of partly funded defined benefit obligations at end of year | 37 425 521 | 3 812 045 | 0 | 41 237 566 |
| Fair value of fund assets at end of year | (39 042 574) | (4 277 975) | 0 | (43 320 549) |
| Subtotal | (1 617 053) | (465 930) | 0 | (2 082 983) |
| Unrecognised past service cost | 0 | 0 | 0 | 0 |
| Unrecognised gain/(loss) | 0 | 0 | 0 | 0 |
| Adjustment for limitation on net asset | 0 | 0 | 0 | 0 |
| Net Liability/(Asset) recognised in balance sheet at end of year | (1 617 053) | (465 930) | 0 | (2 082 983) |

Expense recognised in income statement {AASB 119 – paragraph 46 & 120A (g)}

| | SASS | SANCS | SSS | TOTAL |
|--|---|---|---|---|
| | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ |
| Components Recognised in Income Statement | | | | |
| Current Service Cost | 802 455 | 196 420 | 0 | 998 875 |
| Interest cost | 2 375 548 | 221 682 | 0 | 2 597 230 |
| Expected return on Fund assets (net of expenses) | (3 185 176) | (349 247) | 0 | (3 534 423) |
| Actuarial losses/(gains) recognised in year | 3 793 213 | 626 179 | 0 | 4 419 392 |
| Past service cost | 0 | 0 | 0 | 0 |
| Movement in adjustment for limitation on net asset | 0 | 0 | 0 | 0 |
| Curtailement or settlement (gain)/loss | 0 | 0 | 0 | 0 |
| Expense/(income) recognised | 3 786 040 | 695 034 | 0 | 4 481 074 |

Amounts recognised in the statement of recognised income and expense {AASB 119 – paragraph 120A (h)}

| | SASS | SANCS | SSS | TOTAL |
|-----------------------------------|---|---|---|---|
| | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ |
| Actuarial (gains)/losses | 0 | 0 | 0 | 0 |
| Adjustment for limit on net asset | 0 | 0 | 0 | 0 |

Notes to and forming part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**2. OTHER ASSETS (continued)****Cumulative amount recognised in the statement of recognised income and expense {AASB 119 – paragraph 120A (i)}**

| | SASS | SANCS | SSS | TOTAL |
|---|---|---|---|---|
| | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ | Financial Year to 30 June 2008 \$ |
| Cumulative amount of actuarial (gains)/losses | 0 | 0 | 0 | 0 |
| Cumulative adjustment for limitation on net asset | 0 | 0 | 0 | 0 |

Fund assets {AASB 119 – paragraph 120A (j)}

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

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

Fair value of Fund assets {AASB 119 – paragraph 120A (k)}

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

Expected rate of return on assets {AASB119 – paragraph 120A (l)}

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

Actual Return on Fund Assets {AASB 119 – paragraph 120A (m)}

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

Valuation method and principal actuarial assumptions at the balance sheet date, {AASB 119 – paragraph 120A (n)}**a) Valuation Method**

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

b) Economic Assumptions

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

Notes to and forming part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**2. OTHER ASSETS (continued)****c) Demographic Assumptions**

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

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

| Number of members expected in any one year, out of 10 000 members at the age shown to leave the fund as a result of: | | | | | | |
|--|-------|---------------------------------|------------|-------------|------------|---|
| Age Nearest Birthday | Death | Total & Permanent Disability | Retirement | Resignation | Redundancy | Additional promotional salary Increase rate % |
| Males | | | | | | |
| 30 | 4 | 8 | - | 280 | 150 | 2.90 |
| 40 | 6 | 10 | - | 150 | 150 | 1.80 |
| 50 | 11 | 30 | - | 112 | 150 | 0.00 |
| 60 | 30 | - | 1400 | - | 150 | 0.00 |
| Females | | | | | | |
| 30 | 2 | 2 | - | 372 | 150 | 2.90 |
| 40 | 3 | 6 | - | 175 | 150 | 1.80 |
| 50 | 7 | 28 | - | 144 | 150 | 0.00 |
| 60 | 18 | - | 1500 | - | 150 | 0.00 |

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

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

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

Notes to and forming part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**2. OTHER ASSETS (continued)**

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

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

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

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

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

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

Historical information {AASB119 – paragraph 120A (p)}

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

Notes to and forming part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**2. OTHER ASSETS (continued)****Expected contributions {AASB119 – paragraph 120A (q)}**

| | SASS | SANCS | SSS | TOTAL |
|---------------------------------|------|-------|-----|-------|
| | A\$ | A\$ | A\$ | A\$ |
| Expected employer contributions | 0 | 0 | 0 | 0 |

Funding Arrangements for Employer Contributions**(a) Surplus/Deficit**

The following is a summary of 30 June 2008 financial position of the funds calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans".

| | SASS | SANCS | SSS | TOTAL |
|---------------------------------|--------------|-------------|-----------|--------------|
| | 30-Jun-08 | 30-Jun-08 | 30-Jun-08 | |
| | A\$ | A\$ | A\$ | A\$ |
| Accrued Benefits | 37 334 009 | 3 826 933 | 0 | 41 160 942 |
| Net market value of Fund Assets | (39 042 574) | (4 277 975) | 0 | (43 320 549) |
| Net (surplus) | (1 708 565) | (451 042) | 0 | (2 159 607) |

(b) Contribution recommendations

Recommended contribution rates for the entity are

| | SASS | SANCS | SSS | TOTAL |
|---------------------------------|--------------------|----------------------------------|-----|-------|
| Multiple of Member Contribution | % of Member Salary | Multiple of Member contributions | | |
| | 0 | 0 | 0 | 0 |

(c) Funding method

The method used to determine the employer contribution recommendations at the last actuarial review was the Aggregate Funding Method. The method adopted affects the timing of the cost of the employer.

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

(d) Economic assumptions

The economic assumption adopted for the last actuarial review of the Fund were:

| Weighted-Average Assumptions | |
|--|----------|
| Expected rate of return on Fund assets backing current pension liabilities | 7.7% pa |
| Expected rate of return on Fund assets backing other liabilities | 7.00% pa |
| Expected salary increase rate | 4.00% pa |
| Expected rate of CPI increase | 2.5 % pa |

Notes to and forming part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2. OTHER ASSETS (continued)

Nature of Assets/Liability

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

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

3. PROVISIONS

| | Notes | 2008 \$'000 | 2007 \$'000 |
|------------------------------------|-------|----------------|----------------|
| Current Liabilities | | | |
| Accrued Wages | | 896 | 700 |
| Payroll Tax | | 303 | 302 |
| Leave Entitlements | | 10 481 | 9 976 |
| FBT | | 17 | 25 |
| Less other miscellaneous provision | | - | - |
| Total Current Liabilities | | 11 697 | 11 003 |
| Non Current Liabilities | | | |
| Leave Entitlements | | 120 | 230 |
| Total Non Current Liabilities | | 120 | 230 |
| Total Liabilities | | 11 817 | 11 233 |

All personnel administration costs and related audit fees are met by the parent entity, Forests NSW.

4. RELATED PARTIES TRANSACTIONS

| | Notes | 2008 \$'000 | 2007 \$'000 |
|--|-------|----------------|----------------|
| Supply of Personnel Services to Forestry Commission of NSW | | 29 389 | 27 844 |
| Current Amount due to Forestry Commission of NSW | | 2 083 | 5 234 |

End of Audited Financial Statements

INDEX

| | | | | | | | |
|-----------------------------------|------------|---------------------------------|--------|-----------------------------------|----------------|-------------------------------|-------------------------------|
| A | | F | | rehabilitation | 35 | Science and Research Division | 44 |
| Aboriginal employment | 96 | feral animal control | 40 | safety | 22 | case study | 49 |
| acts administered | 90 | financial overview | 12 | subsidence | 35 | division performance | 48 |
| addresses (offices), | ibc | financial statements | 127 | titles | 33 | future directions | 48 |
| advisory bodies and committees | 89 | fisheries compliance | 28, 31 | mineral exploration | 33 | significant issues | 48 |
| agriculture education | 19 | fisheries education | 29 | investment | 33, 37 | scientific recognition | 47 |
| Agriculture, Biosecurity and | | Fisheries, Compliance and | 26 | production | 33 | schools education | 52 |
| Mine Safety Division | 18 | Regional Relations Division | | promotion | 34 | security deposits | 34 |
| case study | 25 | case study | 31 | royalties | 33 | share management | 27 |
| division performance | 24 | division performance | 30 | Mineral Resources Division | 32 | significant issues | 24, 30, 36, 41, 48, 53, 57 |
| future directions | 24 | future directions | 30 | case study | 37 | significant statutory bodies | 88 |
| significant issues | 24 | significant issues | 30 | division performance | 36 | socio-economic analyses | 51 |
| alignment with NSW State Plan | 9 | fisheries trust fund | 111 | future directions | 36 | staff awards | 4 |
| alliances | 45 | forest | | significant issues | 36 | staffing | 94 |
| animal welfare | 23 | asset protection | 40 | mixed farming | 45 | state plan | 9 |
| annual report costs | 116 | commercial performance | 39 | N | | | |
| aquatic habitat | 27 | development | 39 | National Livestock Identification | 21 | StockPlan | 25 |
| assets | 56, 109 | recreation | 40 | System (NLIS) | | Strategy, Policy and | 50 |
| B | | safety | 41, 43 | Natural Resource Management | 51 | Communications Division | |
| bordercam | 29 | Forests NSW | 38 | NSW Coal Compensation Board | 59 | case study | 54 |
| C | | case study | 43 | NSW DPI | | future directions | 53 |
| capital works | 109 | division performance | 42 | our key result areas | 8 | significant issues | 53 |
| climate change | 45 | future directions | 42 | our organisation | 5 | T | |
| code of conduct | 87 | significant issues | 41 | our results | 10 | tick control | 29 |
| commercial fishing | 28 | freedom of information | 121 | our role | 7 | timber sales | 39 |
| community events | 52 | fruit fly | 29 | our services | 17 | threatened species | 28 |
| consultants | 107 | G | | our structure | 6 | V | |
| cooperative relationships | 23 | grants to non-government | 110 | our values and behaviours | 5 | values | 5 |
| corporate governance | 5, 53 | organisations | | our vision | 5 | vision | 5 |
| Corporate Services Division | 55 | greenhouse gas | 45, 49 | O | | | |
| case study | 58 | H | | occupational health and safety | 58, 93 | volunteer program | 120 |
| future directions | 57 | heritage management | 110 | organisational structure | 6 | W | |
| significant issues | 57 | human resources, see staffing | | overseas travel | 99 | waste reduction | 118 |
| credit card certification | 107 | I | | oyster industry | 30 | water management | 46 |
| customer service | 120 | ICT (information and | 56 | P | | | |
| D | | communications technology) | | payment of accounts | 107 | website | 116, ibc |
| Director-General | | industrial hemp | 19 | performance measures, | | women's employment strategy | 54 |
| letters to the Audit Office | | insurance | 93 | see nsw dpi results | | workers' compensation | 93 |
| letter to the Minister | ifc | invasive species | 20 | plantation assessment | 19 | | |
| statement of performance | 83 | K | | policy | 51 | | |
| year in review | 1 | key result areas | 1, 8 | principal officers | 87 | | |
| disability program | 96 | L | | printing costs, see annual report | | | |
| disclosure of controlled entities | 110 | land disposal | 108 | privacy management | 125 | | |
| drought management | 20, 25 | land use planning | 34 | PROfarm | 19 | | |
| E | | legislation program | 51 | promotion and communication | 125 | | |
| electronic services delivery | 56 | legal services | | prosecutions | 28 | | |
| Elizabeth Macarthur Agricultural | 47 | Acts, administered | 90 | R | | | |
| Institute | | changes in Acts and legislation | 90 | recovery and abatement plans | 118 | | |
| employee services | 56 | significant judicial decisions | 91 | recreational fishing | 27 | | |
| environmental management | 34 | M | | rehabilitation, environmental | 35 | | |
| equal employment opportunity | 95 | major assets | 109 | research | 46 | | |
| equine Influenza | 14, 29, 47 | market access | 45 | research and development | 116 | | |
| ethnic affairs priority statement | 119 | marine parks | 28 | risk management | 21, 93 | | |
| evaluation and improvement | 91 | mine | | rural women's network | 52 | | |
| executive performance | 83 | development | 33 | S | | | |
| exotic diseases | 21 | environment | 34 | safety legislation | 22, 35 | | |
| | | legislation | 34 | safety operations | 35 | | |
| | | | | safety performance | 11, 22, 24, 36 | | |