

**Private
Forests
Tasmania
Annual Report
2003—2004**



October 2004

Hon Bryan Green, MHA

Minister for Infrastructure, Energy and Resources

Parliament House


HOBART TAS 7000

Dear Minister

In accordance with Section 32E of the *Private Forests Act 1994* I am pleased to submit for your information and presentation to Parliament, the Annual Report of Private Forests Tasmania for the year ended 30 June 2004.

The Statement of Accounts and the certificate of the Auditor-General are included.


Yours sincerely



Ian Dickenson

Chairman

Private Forests Tasmania



Andy Warner

Acting Chief Executive Officer

Private Forests Tasmania

Contents

	<i>page</i>
Report from the Chairman	5
Report from the Acting Chief Executive Officer	6
The Board of Private Forests Tasmania	7
Organisation Chart	8
How to Contact Us	9
Introduction	10
Industry Practice	10
Markets and Marketing	12
Regulatory Regime	13
Research and Development	14
Administration	16
Statement of Corporate Intent	18
Financial Statements	19
Auditor General's Certificate	32

Report from the Chairman

I am pleased to present the Annual Report for Private Forests Tasmania for the year ending 30 June 2004.

It could be said that the past year has been an eventful one for Private Forests Tasmania.

In August 2003 Des King retired as Chief Executive Officer after eight years in the position. Des gave 100% over those years and brought considerable experience to Private Forests Tasmania. We thank him once again for his input. Andy Warner took over as Acting Chief Executive Officer until Bob Goreing from South Australia commenced as our Chief Executive Officer in January 2004. Bob brought considerable energy and a fresh perspective to the organisation, but unfortunately resigned at short notice in May and returned to South Australia for family reasons. Once again Andy Warner is Acting Chief Executive Officer until a replacement for Bob is found.

In September 2003 Private Forests Tasmania celebrated 25 years of support by Government, firstly with the Private Forestry Division of the Forestry Commission and now with Private Forests Tasmania. The event was marked by a well attended dinner in Launceston.

There are many issues which could potentially adversely affect private forestry potential. These include the review of the Permanent Forest Estate, proposed changes to the forest practices system, review of Local Government planning schemes, development of the three regional Natural Resource Management strategies, and the negative image many in the Australian community have of the forestry industry. It is always a challenge to provide adequate input to these issues with our limited resources.

Once again Private Forests Tasmania has “punched above its weight” in respect to attracting project funding and successfully delivering these projects, and continually adding to the knowledge our community requires to achieve a sensible balance between economic, social and environmental values.

The Corporate Plan has been revised and all are working to ensure it is implemented successfully.

The industry as a whole is currently working through a much more focused public relations exercise which needs to be ongoing. The forest product markets are still strong, providing opportunities for private forest growers.

I take this opportunity on behalf of the Board to thank our staff for their effort and their co-operation in respect to recent changes and the fact that the Chief Executive Officer position is now located in Hobart. I regret we are now having to go through the process of finding another Chief Executive Officer.

I should not let this occasion pass without recognising the ongoing support given to Private Forests Tasmania over the past year by Mark Addis and his staff at DIER. This support is much appreciated.

Special thanks to Andy Warner who has “stepped up to the plate” for a second time as Acting Chief Executive Officer.

Ian Dickenson
Chairman

Report from the Acting Chief Executive Officer

Private Forests Tasmania has had another busy year involving change, innovation and consolidation.

Change

The Hon Bryan Green MHA succeeded the Hon Paul Lennon MHA as the Minister responsible for private forestry, and there was a change in Chief Executive Officer for Private Forests Tasmania as detailed in the Chairman's report.

Innovation

A groundbreaking report commissioned by Private Forests Tasmania quantifies the tangible environmental benefits flowing from the private farm forestry sector. The report *Evaluation of Environmental Services Provided by Farm Forestry – A Discussion Paper* is available from our website. www.privateforests.tas.gov.au

Through the development of Geographic Information Systems services and co-operative arrangements with major data providers, Private Forests Tasmania has been able to develop and maintain sophisticated datasets. Complex spatial analysis was the basis for an investigation of the suitability of previously forested private land for sustainable forestry practices. This information will be used in projects associated with both the development of farm forestry woodlots and the conservation of native forest communities.

High resolution satellite imagery will be utilised to assist with private forest management and mapping, with Private Forests Tasmania co-ordinating the first broad scale use of 2.5 metre resolution imagery for private forestry.

Consolidation

Further upgrades to the Farm Forestry Toolbox were made. The set of user friendly programs packed on a CD was developed by Private Forests Tasmania with the assistance of Natural Heritage Trust funding to help farmers manage their trees. The Toolbox is now recognised as a national platform for farm forestry help. In addition to using the Toolbox for day to day work in Tasmania, our staff have now been paid to conduct training courses for farm forestry advisors, consultants and landowners in Victoria, New South Wales and Western Australia. Further work is planned, with flow-on benefits to Tasmanians, through the development of new tools and the refinement of current modules.

We had consolidation, reflection and celebration during the year as private forestry celebrated 25 years of activity. A highlight of the celebrations was a dinner for over 140 people who had been involved with the creation of the private forestry organisation that is now centred around the State authority known as Private Forests Tasmania.

The major consolidation has been as a result of the ongoing delivery of services by the dedicated staff, many having over 30 years' technical or professional forestry experience to draw on. These services involve verbal and written advice, directing people to the extensive information available on our website and information sheets, and, particularly, interaction on field days. Individual landowners, networks, local government staff, consultants, researchers and other agencies at both the State and Australian government levels benefit from our services — all delivered by a small but unique agency with a corporate intent to:

- Take a leadership role in all matters related to private forestry in Tasmania;
- Respond to the opportunities created by continual improvement in the private forestry sector;
- Recognise and respond positively to the changing public expectations of private forestry; and
- Demonstrate an acceptance of, and commitment to, sustainable land use principles for private forestry in Tasmania.

Andy Warner
Acting Chief Executive Officer

Board Members

Mr Ian Dickenson AO

Member representing non-industrial private forest growers.
 Director of Elverton Pastoral Pty Ltd.; Director of Farmwood Tasmania;
 Executive Member of Forests and Forest Industry Council.
 Ian utilises a whole farm planning approach on his property incorporating a wide range of agricultural activities, and plantation and native forest management practices. Good land management and water conservation are essential to Ian's successes.

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

Member representing industrial private forest growers.
 Manager, Northwest and South, Gunns Limited; Member of the Tasmanian Forest Industries Training Board; Director/Treasurer of The Forest Education Foundation.
 Bryan has worked for 32 years in the Tasmanian forestry industry with experience in harvesting, safety, forest management, forest policy and general business management.

Mr Brett Hooper **Dip. Farm Management (MOFAC)**

Member representing non-industrial private forest growers.
 Chairman TFGA Forestry Committee; Chairman Tamar Valley Weed Strategy; Secretary TFGA Tamar Valley Branch; Member Tamar Natural Resource Management Group.
 Brett is a primary producer in partnership with his wife, Elizabeth, at Mt Direction, managing cattle, sheep and forestry.

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

Member with expertise in forest or related sciences. Director of the Forest Practices Board; Director of Australian School of Fine Furniture; Winner 2001 Tasmanian World Forestry Day Award. Mark is a former regional private forester with Privet Forests Tasmania and is currently a consultant specialising in private forestry. Mark has a particular interest in special timbers management and is also passionately involved in humanitarian work in Africa and the Philippines.

Mr Trevor Leis **B.V.Sc**

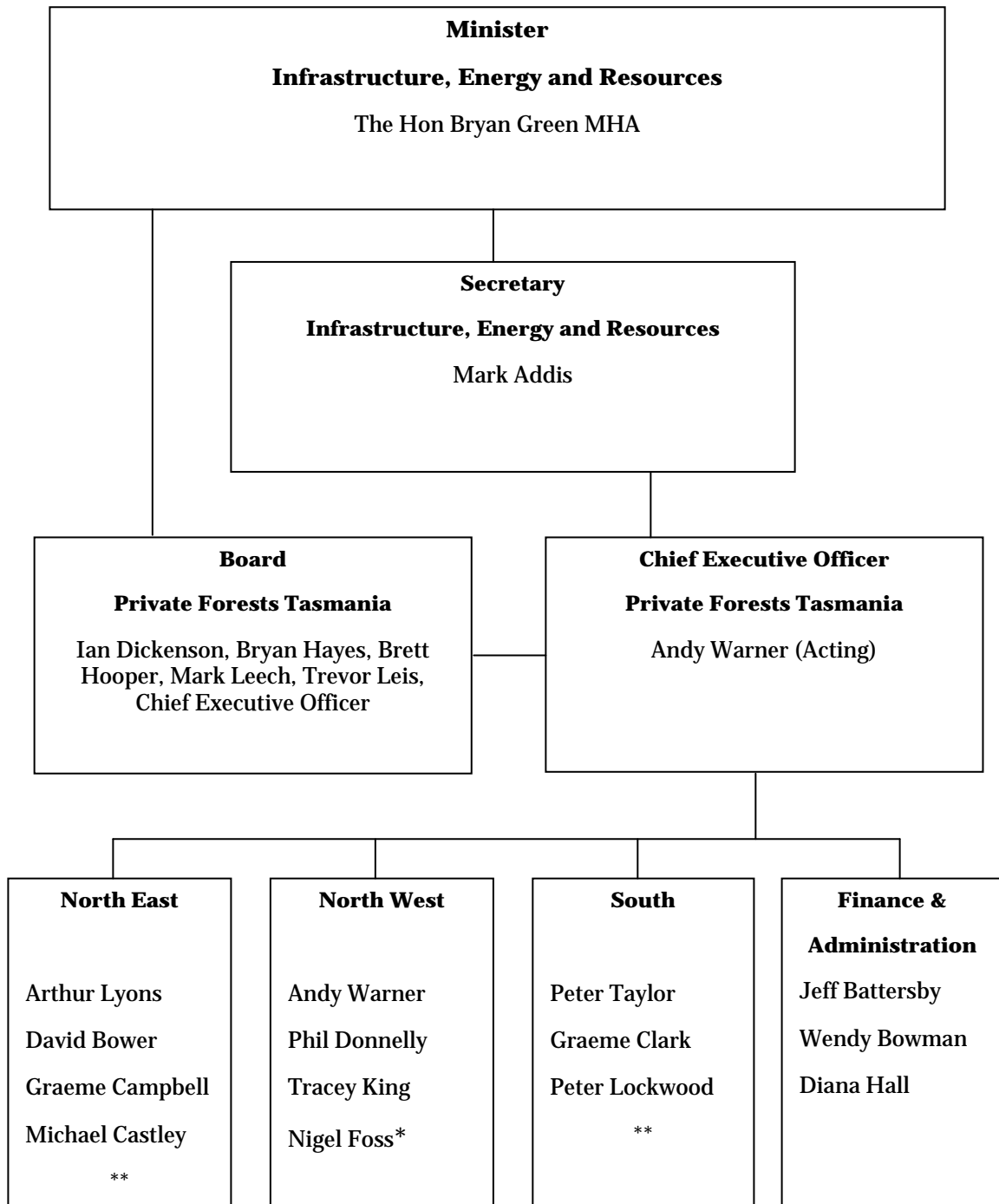
Member with practical knowledge of, and experience in, industry, commerce or economic development.
 Former Chairman of United Milk Tasmania (1984-98); Former Chairman of TT Line (1992-95); Former Chairman of Stanley Cool Stores (1999-2003); Manager/proprietor of a heavy earthmoving and timber harvesting partnership company that undertakes road construction, harvesting and plantation preparation. Trevor is a commercial beef producer, horse breeder and tree grower in North West Tasmania.

Board Members

Back: Brett Hooper Trevor Leis
 Bryan Hayes
 Front: Andy Warner (Acting CEO)
 Ian Dickenson Mark Leech



Organisation Chart as at 30 June 2004



* Resigned January 2004
 ** Project teams, temporary staff (5)

How to Contact Us

LAUNCESTON PO Box 180 KINGS MEADOWS 7249

State Government Offices
167 Westbury Rd PROSPECT
Telephone (03) 6336 5300
Facsimile (03) 6336 5445

HOBART 78 Patrick St HOBART 7000

78 Patrick St HOBART
Telephone (03) 6233 7640
Facsimile (03) 6233 7009

BURNIE PO Box 68 BURNIE 7320

2-4 East Cam Rd CAMDALE
Telephone (03) 6434 6319
Facsimile (03) 6434 6200

Email admin@privateforests.tas.gov.au

Web Site www.privateforests.tas.gov.au



Staff

Jeff Battersby, Peter Taylor, Graeme Campbell, Diana Hall, Andy Warner,
Wendy Bowman, Peter Lockwood, Phil Donnelly, David Lane, Michael Castley,
David Bower
Arthur Lyons, Julie Finnigan, Tracey King, Rebecca Berne, Gordon McCutchan
(absent: Graeme Clark)

INTRODUCTION

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

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

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

The Annual Report reports on the operations of the Authority, including the audited financial statements, for the year ended 30 June 2004. The operations are reported on under five broad programs — Industry Practice; Markets and Marketing; Regulatory Regime; Research and Development; and Administration.

A general strategic objective for each program is followed by details of specific work program outcomes.

Industry Practice

Strategic Objective:

A commercially viable, sustainable private forestry sector with wide community acceptance, incorporating the facilitation of effective communications on private land use.

Specific work program outcomes

We provide free, general advice related to farm forestry through three regional offices, a web site, telephone, written materials, field days and on site visits.

Annual farm forestry events are coordinated to promote sustainable forestry practices, inform growers of market opportunities and to highlight excellence in farm forestry. Evening dinner and speaker meetings were held in Somerset, Scottsdale and Launceston with strong interest and over 160 attendees. Speakers included Mr Don Jowett, the 2003 winner of the National Tree Farmer Award.

Staff provided advice and information to landholders and farm forestry networks at field days and forums. Where topics were of mutual interest, field days were jointly conducted with other organisations including: Australian Forest Growers, the Cooperative Research Centre for Sustainable Production Forestry, and Greening Australia.

A major field day was held in the Northern Midlands for 80 landholders to showcase integrated farm forestry planning and plantation establishment primarily in low rainfall areas. Five landholders were presented with Awards of Excellence by Mrs Honey Bacon, the wife of the then Premier. Other field days to promote quality silviculture attracted large numbers, including 100 farmers at Forth and 47 at Sheffield.

A consultation forum was conducted in July 2003. The forum and associated survey sought to provide clients with an overview of all the activities of Private Forests Tasmania and through a structured forum enlist contribution from the clients on future directions and priority issues. These were incorporated into the reviewed Corporate Plan.

An annual field day, attended by 75 landholders, was conducted jointly with Australian Forest Growers at Port Arthur to look at private native forest management.

Industry Practice continued

There were four issues of the Farm Forestry Newsletter published this year with each issue being mailed out to over 600 clients. The Newsletter forms part of our communication strategy to private forestry stakeholders.

During the year, there was a review of Private Forests Tasmania's Farm Forestry Information Sheets, with the updated documents planned to be available through our offices and the website by October 2004.

Four articles were published in the national *Australian Forest Grower* quarterly journal.

In May 2004 Private Forests Tasmania promoted private forestry and its services at AGFEST using a series of posters presenting private forestry case studies and information about the economic, environment, and social values private forestry provides.

As part of the Natural Resource Management Trees in Land Management program, several project areas in the north of the state were regenerated through direct seeding.

Direct seeding is addressing land degradation issues and vegetation management in areas that are not used for commercial forestry, with 75 km of direct seeding carried out during the year.

A successful direct seeding project is being undertaken at a forest industry processor waste site in the Bell Bay industrial precinct. Successful germination of native species has occurred on this high nitrogen site. The success of this project should encourage other industries to utilise these techniques on their degraded sites to improve biodiversity in industrial areas.

Several projects are underway to manage the area of land not covered by centre pivot irrigation systems. This will enable farmers to undertake revegetation works on the drier land not covered by irrigation and improve overall land management.

Seed collection in dry areas of the State is becoming a serious issue and needs to be addressed to ensure future supply for ongoing land management needs.

The Farm Forestry Toolbox Version 4 continues to be actively promoted as an innovative aid to landowners, consultants and advisors. The Toolbox is a Private Forests Tasmania initiative to provide a set of user-friendly tools in a free software package that can be run on any home computer. The 'tools' help landowners to better measure, manage and evaluate options for both plantations and native forest. National farm forestry interest in the Toolbox continues, with training courses run on a fee for service basis by Private Forests Tasmania in Western Australia during the year. Further development of the Toolbox is planned using funding from national programs.

Private Forests Tasmania has actively participated in the development of the Southern, Northern and Cradle Coast Natural Resource Management strategies by promoting recognition of the value of farm forestry and the active management of trees on farms (both native and plantation) to address soil and water quality issues, shelter for crops and livestock and to increase financial viability by planting steep, stony or less productive areas. Private Forests Tasmania is a member of the interdepartmental committee for Natural Resource Management. This committee co-ordinates the State government input to the development of the three regional Natural Resource Management strategies.

Private Forests Tasmania has also actively participated in development of the *Dorset Natural Resource Management Strategy*, *Meander Valley Vegetation Management Strategy* and in smaller technical groups associated with Natural Resource Management and Natural Heritage Trust projects. Private Forests Tasmania is a member on Natural Heritage Trust and National Action Plan for Salinity and Water Quality project reference groups.

At a national level Private Forests Tasmania has participated in the annual forum of Private Forestry Development Committees and contributed to discussion papers, to assist further expansion of sustainable forestry activity on private land.

Markets and Marketing

Strategic Objective

A dynamic, competitive market for a range of wood and non-wood products and services from Tasmania's private forestry sector incorporating encouraging and facilitating market development and increased returns for growers.

Specific work program outcomes

Private Forests Tasmania promotes and co-ordinates the Pruned Stand Certification process established nationally by the Australian Forest Growers to provide independent, quantitative data on plantation clearwood stem quality, based on sample measurements for each pruning lift in the stand. Staff carried out fee for service training and audits for the process at a state and national level. The system provides growers with a certificate for a pruned stand that verifies the quality of the clearwood produced. Staff have also provided instruction to growers on pruning technique.

Private Forests Tasmania continues to collect and collate information on harvested products and prices and market opportunities with dissemination through regional meetings and articles in its newsletter. Preliminary investigations were also undertaken regarding the marketing of preservation materials from plantations on low productivity sites.

Harvested Products from Tasmanian Private Property	
Data collated by Private Forests Tasmania (rounded to nearest 1,000 tonnes)	
	2002/03
NATIVE FOREST	
Sawlogs, Veneer and Ply Logs	101,000
Pulpwood	1,793,000
Other Log Products inc Fuelwood (1)	1,000
Total	1,895,000
PLANTATION HARDWOOD	
Sawlogs, Veneer and Ply Logs	-
Pulpwood	629,000
Other Log Products	-
Total	629,000
PLANTATION SOFTWOOD	
Sawlogs, Veneer and Ply Logs	111,000
Pulpwood	206,000
Other Log Products	-
Total	317,000
GRAND TOTAL	2,841,000
Notes:	
Data collated from information obtained from processors.	
Minor Log Products includes posts and poles	
No data is available on harvested products used on site by landowners	
(1) fuelwood data incomplete as the total supply from private property not available	

Regulatory Regime

Strategic Objective

A transparent, fair and balanced regulatory environment for the private forestry sector with appropriate accountabilities for all stakeholders incorporating active leadership and governance in our industry.

Specific work program outcomes

Private Forests Tasmania:

- continued to provide an audit service to the Forest Practices Board with specific staff expertise contributing to the mandated audit of forest practices plans.
- continues as a member of the Forest Practices Advisory Council. The Council has considered a wide range of issues, most importantly the changes to the *Forest Practices Act 1985* and the Forest Practices Code and the development of information and systems to support Forest Practices Officers preparing and certifying plans.
- has commenced a review of the procedures used to process a private timber reserve application and declaration. A new standard has been developed in co-operation with the Land Data Registration Branch for the lodging of part title private timber reserve declarations. A consultant has been engaged to review other aspects of the processes and procedures.
- has commenced a major review of the area of private land in Tasmania suitable for plantation use. This review will provide information to the government and industry which will be useful when assessing the impact of government policy, in particular the Permanent Forest Estate Policy.
- is a member of a working group responsible for preparing the *State of the Forest Report* and other reports on the implementation of the Tasmanian Regional Forest Agreement. The next report is due in 2007 with data collection and monitoring ongoing.
- is a member of the Private Forest Reserve Program Advisory Committee. This Committee is responsible for advising Australian and State government Ministers on the expenditure of the \$30 million of national and Natural Heritage Trust funds available to conserve forest communities on private land.

The Geographic Information System is playing an increasing role in linking spatial and tabular data associated with private forestry, including:

- updating general vegetation maps for use by government, landowners, consultants, councils and regional management authorities;
- providing information and maps for staff in their day to day activities associated with the promotion of sustainable private forestry;
- providing information on private timber reserve boundaries as part of the formal registration of the gazetted area on the title; and
- supplying data for research and other projects.

Aggregated spatial data contributes to the annual update of the Forest Groups' dataset that provides general special information on the distribution of major forest vegetation types for broad use.

Further developments involving the use of satellite imagery will increase the ability of landowners to benefit from advanced mapping and data interrogation as a part of the development of whole farm forest property management planning.

Research and Development

Strategic Objective

Tasmania to be an internationally recognised world leader in sustainable industry practice in the private forestry sector through the application of appropriate innovation arising from research and development, incorporating creating the right climate for provision of integrated farm forestry planning and native forest planning.

Specific work program outcomes

Evaluation of eucalypt hybrids for low rainfall areas continues with 11 trials now established and monitored. An honours student, from the University of Tasmania, has produced a report evaluating hybrids and site conditions.

Five demonstration sites of farm forestry systems for low rainfall areas were maintained.

The two year Farm Forestry Devolved Grant project was completed and included the production of an *Environmental Services Discussion Paper*. This ground breaking report has found that there are tangible environmental benefits flowing from the private farm forestry sector. The report has identified bio-diversity conservation, improvement of land and water quality, and the sustainable use of natural resources among environmental benefits.

For the first time in Tasmania, public and private benefits flowing to landholders and the community from farm forestry on cleared agricultural land have been identified. Private Forests Tasmania is now using the paper's findings for long term evaluation of farm forestry projects incorporating the monetary value of environmental services in project assessment, evaluation and monitoring. This discussion paper can be downloaded from www.privateforests.tas.gov.au.

A number of Natural Heritage Trust assisted projects were completed including: Investigation and Demonstration of Low Rainfall Farm Forestry Systems, Eucalypt Hybrids in Managing Salt Affected Land, Expanding Farm Forestry from Farms to Communities to Regions, and the Farm Forestry Devolved Grant.

A Stand History and Stand Management Advisory System was developed and implemented to assist landholders manage plantations to produce high quality timber.

Herbicide regimes for low rainfall pine plantations were evaluated at an operational level.

A plantation trial at Sheffield is being managed to demonstrate that blackwood can be produced on farms with intensive and innovative management practices.

A report, *Management Regimes for Low Rainfall Radiata Pine Plantations*, was produced and will help forest growers assess different management regimes depending on climate and site conditions.

Private Forests Tasmania, in collaboration with Forestry Tasmania, conducted soil sampling and evaluation of plantation productivity in the Midlands.

Private Forests Tasmania, in collaboration with the Tasmanian Farmers and Graziers Association and Australian Forest Growers, applied for and received Australian Government funds to implement two new projects, the *Environmental Services Grant* - \$309,000 received to assist landholders plan and establish integrated farm forestry on farms in 2004 and 2005 for delivery of environmental services, and the *Productive Use and Rehabilitation of Salt Affected Land* - \$140,000 received to develop a body of knowledge, assess landholder capacity, undertake a strategic investigation and develop eucalypt hybrids in 2004 and 2005. These projects commenced in March 2004.

Research and Development continued

The Environmental Services Grant project delivered 10 farm forestry plans and assisted landholders prepare 80 hectares for tree planting. This project was nominated for the Banksia Environmental Awards 2004.

Private Forests Tasmania is a member of the Browsing Damage Management Group which coordinates research and provides technical advice on methods for restricting the amount of damage to trees caused by a range of native and introduced species.

Papers published in 2003/04 to which Private Forests Tasmania contributed include:

Cooperative Research Centre Technical Report No 130 – Pinus radiata response to ripping weed control and fertilisation at four ex-pasture sites P Smethurst et al, December 2003.

Paper presented to the Australian Forest Growers Conference, Ballarat April 2004 on the Farm Forestry Toolbox.

Private Forests Tasmania has contributed to the *Farm Forestry National Action Statement*, and to the *Issues and Opportunities for Regional Plantation Committees to Enhance and Promote Private Forestry* paper.

Staff carried out re-measurement and monitoring of two stock haven demonstration sites in southern Tasmania and a range of blackwood trial sites in the North West as part of the agency's ongoing support for farm forestry related research.

A pilot project to appraise satellite remote sensing options as a means of more effectively updating private forest area change has provided encouraging results. Contact with other government and private vegetation management organisations is now underway to maximise the benefits from a group approach to the purchase and utilisation of imagery across the State.



Trainee locating plots in a pine plantation prior to measuring tree height and diameter. This information is used to estimate tree growth and log quality.

Administration

Strategic objective

A well governed, well managed, appropriately resourced organisation, performing its unique role to a standard of excellence incorporating developing and improving the performance and viability of Private Forests Tasmania.

1. HUMAN RESOURCE MANAGEMENT

Staff by Category		30 June 2004		
Executive Management (vacant—Acting Chief Executive Officer)				0
Regional Private Foresters				3
Technical Foresters				5
Project Officers (externally funded)				4
Project Officers (internally funded)				1
Administration Officers				5
			Total	18
Staff by Gender		30 June 2004		
	Male	Female		
Permanent	10	2		12
Project	2	3		5
Casuals	0	1		1
			Total	18

As part of the Department of Infrastructure, Energy and Resources Workplace Diversity Plan, and whole-of-government initiatives, Private Forests Tasmania provided a placement for nine months for one person under the Youth Traineeship program. The program's aim is to increase the employment and retention of people under 25 years of age. All trainees complete a Certificate III in Government.

2. SUPERANNUATION DECLARATION

I, Andrew Warner, hereby certify that Private Forests Tasmania has met its obligations under the Superannuation Guarantee (Administration) Act 1992 of the Commonwealth in respect of any employee who is a member of a complying superannuation scheme to which Private Forests Tasmania contributes.



A Warner
Acting Chief Executive Officer
30 June 2004

3. FREEDOM OF INFORMATION REQUESTS

During the 2003-2004 year the Authority received one request under the *Freedom of Information Act 1991*. Following a review of the request the information held was provided with part of the request referred to another State government department.

Administration continued**4. OCCUPATIONAL HEALTH AND SAFETY AND MANAGING DIVERSITY**

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

One worker's compensation claim was submitted in 2003-04 with no loss of time due to injury.

Occupational Health and Safety training and activity.

Staff were trained in chemical handling and use and also in First Aid. Occupational Health and Safety is a standing item at all staff meetings.

Staff training and professional development.

Staff attended courses in Forest Valuation, Insects and Diseases, Plantation Nutrition and project management; attended conferences and technical meetings in Australia and New Zealand, with written reports provided highlighting outcomes relevant to private forestry in Tasmania; and participated in the development of performance measures for the agency.

Computer services were upgraded as part of the continual improvement program to provide suitable data management services.

5. LEGISLATION ADMINISTERED BY PRIVATE FORESTS TASMANIA

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

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

Private Timber Reserve Summary	2003-2004	Progressive total to 30 June 2004 ¹
Applications advertised (Section 6 (1) <i>Forest Practices Act 1985</i>)	24	1,497
Applications approved by Forest Practices Board (Section 10 <i>Forest Practices Act 1985</i>)	38	1,446
Private Timber Reserves revoked, all or in part (Section 13 (5) & 14 (10) <i>Forest Practices Act 1985</i>)	16	77
Total area gazetted (hectares)	5,807	391,214

¹ Progressive total contains adjustments to figures reported previously.

The Minister for Infrastructure, Energy and Resources, as the Minister of the Crown responsible for this legislation, gave no directions during the year.

6. COMMUNITY CONTACT

Agfest
Field Days
Forum
Newsletter
Tasmanian Farmers and Graziers Association
Forests and Forest Industry Council
Forest Industries Association of Tasmania
Greening Australia
Australian Forest Growers
National Association of Forest Industries
Australian Plantation Products and Paper Industry Council
Private Forest Consultative Committee
Forest and Forest Products Consultative Committee
Co-operative Research Centres
CSIRO Forest Products
New Zealand Farm Forestry Research Cooperative

7. STATEMENT OF CORPORATE INTENT

The 2004 – 2007 Corporate Plan builds on the leadership role that Private Forests Tasmania takes in all matters related to private forestry in Tasmania. The aim is to respond to the opportunities created by continual improvement in the private forestry sector. There will be ongoing activity to facilitate the broad acceptance of, and commitment to, sustainable land use principles for private forestry in Tasmania. Private Forests Tasmania will recognise and respond positively to the changing public expectations of private forestry.

The 2004 – 2007 Corporate Plan specifically identifies Private Forests Tasmania's role in building a commercially viable, sustainable private forestry sector with wide community acceptance. The aim is to foster a dynamic, competitive market for a range of products from Tasmania's private forests. A transparent, fair and balanced regulatory environment for the private forestry sector, with appropriate accountabilities for all stakeholders, is to be fostered.

A number of new initiatives are planned, including the application of triple bottom line accounting to private forestry in Tasmania, active promotion of trees on farms to deliver positive environmental benefits, and the introduction and adoption of modern industry standards (such as the Australian Forestry Standard) to the private forestry sector.

These initiatives will be supported by increased focus on:

Promotion and diffusion of innovation, driven by targeted and coordinated research and development activities, particularly the application of environmental services to private forestry;

Product differentiation and product development for the private forestry sector and the development of markets and market infrastructure for the private forestry sector;

Greater consultation with a broad range of stakeholders in private forestry, with a special emphasis on consulting with the wider community; and

Improvements in the regulatory environment for private forestry.

PRIVATE FORESTS TASMANIA

FINANCIAL STATEMENTS

2003—2004



STATEMENT BY DIRECTORS

In the opinion of the Directors of Private Forests Tasmania:

(a) the financial statements are drawn up so as to give a true and fair view of the results and cash flows for the year ended 30 June 2004 and the state of affairs at 30 June 2004 of Private Forests Tasmania;

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

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

The financial statements are drawn up in accordance with the applicable Australian Accounting Standards and Urgent Issues Group Consensus Views.

Signed in accordance with a resolution of the Directors.



I Dickenson

Director/Chairman of the Board

09/08/2004



A J Warner

Acting Chief Executive Officer

10/08/2004

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004**

	NOTES	2004	2003
		\$'000	\$'000
Revenues from Ordinary Activities			
Consolidated Fund		1,263	1,235
Commonwealth Grants	2	693	1,195
Private Forests Service Levy		290	228
Interest on Bank		88	99
Interest on pine loans		80	86
Private Timber Reserve Fees		9	23
Other		<u>101</u>	<u>101</u>
Total Revenues from Ordinary Activities		2,524	2,967
Expenses from Ordinary Activities			
Salary & Wages		873	1,002
Employee entitlements		153	200
Motor vehicle & travel		138	157
Depreciation and amortisation		69	78
Directors allowances & expenses	11	115	77
Interest on pine loans		80	86
Devolved grant to landowners		105	352
Seedlings & materials		76	260
Refund of grants		168	31
Consultancies & contractors		162	109
Office rental		71	76
Other		<u>400</u>	<u>344</u>
Total expenses from Ordinary Activities		2,410	2,772
Total Changes in equity other than those resulting from			
Transactions with Owners as Owners		114	195
Accumulated profits/(loss) at the beginning of the Financial Year		650	489
Decrease in Accumulated Surplus on Adoption of a New Standard		0	(34)
Accumulated Profits at the end of the financial year		<u>764</u>	<u>650</u>

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

**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2004**

	NOTES	2004 \$'000	2003 \$'000
CURRENT ASSETS			
Cash	4	315	176
Investments	5	1,000	1,400
Receivables	3	366	400
		<u>1,681</u>	<u>1,976</u>
NON-CURRENT ASSETS			
Property, plant & equipment	6	217	197
Receivables	3	1,088	1,208
		<u>1,305</u>	<u>1,405</u>
TOTAL ASSETS		<u>2,986</u>	<u>3,381</u>
CURRENT LIABILITIES			
Creditors and accrued expenses	7	182	590
Provisions	8	223	253
Borrowings	9	144	145
		<u>549</u>	<u>988</u>
NON-CURRENT LIABILITIES			
Borrowings	9	1,644	1,707
Provisions	8	29	36
		<u>1,673</u>	<u>1,743</u>
TOTAL LIABILITIES		<u>2,222</u>	<u>2,731</u>
NET ASSETS		764	650
EQUITY			
Accumulated Surplus (Deficit)		764	650
TOTAL EQUITY		<u>764</u>	<u>650</u>

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2004**

	NOTES	2004	2003
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		545	744
Cash receipts from government		1,541	1,601
Interest received		107	118
GST received from Taxation Authority		<u>93</u>	<u>126</u>
Total Cash Received		2,286	2,589
Payments to suppliers and employees		(2,430)	(2,890)
GST Paid to taxation Authority		<u>(32)</u>	<u>(38)</u>
Total Cash Used		(2,462)	(2,928)
NET CASH PROVIDED BY OPERATING ACTIVITIES		(176)	(339)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from investments		400	400
Proceeds from sale of equipment		0	0
Payments for acquisition of equipment		<u>(89)</u>	<u>(26)</u>
NET CASH FLOWS USED IN INVESTING ACTIVITIES		311	374
CASH FLOWS FROM FINANCING ACTIVITIES			
Pine Loan advances		0	0
Loan repayments		164	187
State Government loans repaid		<u>(160)</u>	<u>(187)</u>
NET CASH FLOWS USED IN FINANCING ACTIVITIES		4	0
NET INCREASE (DECREASE) IN CASH HELD		139	35
Cash at the beginning of the financial year		176	141
CASH AT THE END OF THE FINANCIAL YEAR	4	<u>315</u>	<u>176</u>
Reconciliation of net cash provided by operating activities to Operating profit			
Operating profit(loss)		114	195
Plus(minus) non cash items:			
Depreciation & amortisation		69	78
Provision for doubtful debts		40	
Change in assets and liabilities:			
Increase (decrease) in provisions		(37)	(25)
Increase (decrease) in creditors		45	(47)
Increase (decrease) in accrued expenses		(38)	2
Increase (decrease) in unexpended grants		(415)	(739)
(Increase) decrease in receivables		28	180
(Increase) decrease in prepayments		5	(2)
(Increase) decrease in other non-current assets		19	19
Increase (decrease) in other liabilities		<u>(6)</u>	<u> </u>
Net cash provided by operating activities		(176)	(339)

Credit Standby Arrangements

A Visa Card facility of \$10,000 was available to the Authority at 30 June 2004. As at that date, \$845.00 was outstanding.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements are required by Part 5A, clause 32B of the Private Forests Act 1994. The general purpose statements have been prepared in accordance with:

Australian Accounting Standards;

other authoritative pronouncements of the Australian Accounting Standards Board;

Urgent Issues Group Consensus Views.

The Statements of Financial Performance and Financial Position have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets which are at current valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Statement of Financial position when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. On 1 July 2000 the Authority, in accordance with Statement of Accounting Standards AASB 1041 "Revaluation of Non-Current Assets", elected to continue to adopt the cost basis for the valuation of property, plant and equipment.

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

(b) Changes in Accounting Policy

The accounting policies used in the preparation of these financial statements are consistent with those used in 2002-2003 except as otherwise stated.

(c) Revenue

Interest revenue is recognised when it is received or can be reliably measured in the period to which it relates.

Revenue from the provision of goods and services is recognised upon the delivery of goods and services to clients.

Government appropriations are recognised as revenue to the extent they have been received into the Authority's bank account or are entitled to be received by the Authority at year end.

(d) Employee Entitlements

Leave

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

The liability for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 2004 and is recognised at the rates the Authority expects to pay including on-costs (superannuation and payroll tax).

The liability for long service leave is the present value of expected future payments (including on-costs) to be made in respect of service provided by employees up to balance date. Consideration is given, when assessing future payments to expected future departures and wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using the appropriate indicative mid-rates on selected Commonwealth Government Securities.

Superannuation

New public sector superannuation arrangements, commencing on 1 July 1994, were introduced with the proclamation of the Retirement Benefits Act 1993.

One consequence of this Act is that superannuation arrangements previously covered by the Retirement Benefits and Superannuation Accumulation Funds, as well as the Retiring and Death Allowances scheme, are now replaced by one fund, i.e., the Retirement Benefits Fund, and administered by the Retirement Benefits Fund Board.

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

Accumulated Leave Credits

The Authority has brought to account a provision for accumulated leave credits at 30 June 2004. This policy reflects the excess hours accumulated for work that is additional to the award based hours at current wage rates but does not include on-costs.

(e) Grants

Government grants received by the Authority as contributions to operating expenses are recognised as revenue in the year the expense was incurred, in accordance with the Treasurer's Instructions.

(f) Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution.

(g) Goods and Services Tax (GST)

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

(h) Property, Plant and Equipment

Acquisition

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

Recoverable Amount

The carrying amount of all non-current assets are reviewed at least annually and are not stated at amounts in excess of their recoverable amount. Except where stated, recoverable amounts are not determined using discounted cash flows.

Depreciation

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

Leasehold improvements	50 years
Furniture, Equipment & software	3 – 15 years

Assets are depreciated from the date of acquisition.

- (i) **Income Tax Equivalent**
Private Forests Tasmania is not required to pay an income tax equivalent
- (j) **Comparative Figures & Rounding**
Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required. Amounts have been rounded to the nearest \$1,000
- (k) **Private Forests Tasmania**
Private Forests Tasmania was established on 1 July 1994 as a statutory authority by the Private Forests Act 1994. It is not required to pay guarantee fees, tax-equivalent payments or to pay a dividend to the Tasmanian government.

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

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

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

The Authority employed 18 staff at 30 June 2004 (21 at 30 June 2003).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

2. REVENUE FROM ORDINARY ACTIVITIES

	2004	2003
	\$'000	\$'000
Commonwealth grants:		
National Heritage Trust & Other	693	1,195
Total Operating Grants	<u>693</u>	<u>1,195</u>

3. RECEIVABLES*Current*

Trade Debtors	217	245
Prepayments	5	10
Loans for private forestry	<u>144</u>	<u>145</u>
Total current receivables	366	400

Non-current

Loans for private forestry	1,138	1,218
Provision for doubtful debts	(50)	(10)
Other		
Total non-current receivables	<u>1,088</u>	<u>1,208</u>

4. CASH

Cash at Bank and on hand	315	176
--------------------------	------------	-----

5. INVESTMENTS

Term Deposits	1,000	1,400
---------------	--------------	-------

6. PLANT AND EQUIPMENT**Property Plant and Equipment Movement**

Item	Plant & Equipment	Office Equipment	Leasehold Improvements	Total
	\$'000	\$'000	\$'000	\$'000
Gross Value at 1 July 2003	97	317	38	452
Additions-Purchase of Assets		89		89
Less: Assets written off		(56)		(56)
Gross Value at 30 June 2004	97	350	38	485
Accumulated Depreciation/ Amortisation at 1 July 2003	29	221	5	255
Depreciation/amortisation charge for the year	11	57	1	69
Less: depreciation on assets written off		(56)		(56)
Accumulated Depreciation/ Amortisation as at 30 June 2004	40	222	6	268
Net Book Value as at 30 June 2004	57	128	32	217
Net Book Value as at 1 July 2003	68	96	33	197

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

	<i>2004</i>	<i>2003</i>
	\$'000	\$'000
Plant & equipment at cost	97	97
Less accumulated depreciation	<u>(40)</u>	<u>(29)</u>
	57	68
Office Equipment at cost	350	317
Less accumulated depreciation	<u>(222)</u>	<u>(221)</u>
	128	96
Leasehold improvements	38	38
Less accumulated amortisation	<u>(6)</u>	<u>(5)</u>
	32	33
Total Plant & Equipment	<u>217</u>	<u>197</u>
 7. CREDITORS AND ACCRUED EXPENSES		
Unexpended Grants:		
Trees Tasmania	35	44
RFA Tactical Planning Project		50
National Heritage Trust & Other	42	398
	<u>77</u>	<u>492</u>
Trade creditors	103	58
Accrued expenses	<u>2</u>	<u>40</u>
Total Creditors & Accrued Expenses	<u>182</u>	<u>590</u>
 8. PROVISIONS		
<i>Current</i>		
Employee entitlements:		
Annual leave	75	117
Long service leave	135	123
Accumulated leave credits	<u>13</u>	<u>13</u>
	223	253
<i>Non-current</i>		
Employee entitlements:		
Long service leave	<u>29</u>	<u>36</u>
Total Provisions	<u>252</u>	<u>289</u>
 9. BORROWINGS		
<i>Current</i>		
Tasmanian Government	144	145
<i>Non-current</i>		
Tasmanian Government	<u>1,644</u>	<u>1,707</u>
Total Borrowings	<u>1,788</u>	<u>1,852</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

The Tasmanian Government provided funds via loan agreements for the initial purpose of assisting in the establishment of pinus radiata plantations on private land, and, secondly, for improvements to these plantations. The life span of these loan agreements is 30 years. Plantation owners may defer the repayment of their loan for the first 10 years, thereafter they have 20 years to repay the loan balance. It is noted that interest is capitalised on the loan balance each year during the first 10 years. The current interest rate on the loan is 7%. The interest rate is determined by the Board and is to be a rate not less than half the State rate prevailing at that time. The State rate at 1 July 2003 and 1 July 2004 is 10.00% and 10.33 % respectively.

	2004	2003
	\$'000	\$'000
10. AUDITORS REMUNERATION		
Amounts received or due and receivable by the auditors	4	4

11. DIRECTORS' REMUNERATION

Amounts received or due and receivable by the Directors of the Authority.	115	77
---	-----	----

Total remuneration paid to non-executive Directors of Private Forests Tasmania fall within the following bands:

\$0	\$9,999		4
\$10,000	\$19,999	4	1
\$20,000	\$29,999	1	

Remuneration for the Chief Executive Officer falls in the following band:

\$80,000	\$89,999		1
\$90,000	\$99,999	1	

12. RELATED PARTIES.

Directors

The Directors of the Authority during the year were Mr Brett Hooper (7/11/2001 to 30/6/2006), Mr Trevor Leis (1/7/2001 to 30/6/2006), Mr Ian Dickenson (1/7/2000 to 30/6/2005), Mr Bryan Hayes (10/12/2002 to 30/6/2005), Mr Mark Leech (7/5/2003 to 30/6/2007) and Mr Desmond King, Chief Executive Officer (1/7/2003 – 5/9/2003), Mr Bob Goreing, Chief Executive Officer (26/1/2004 – 16/6/2004), and Mr Andy Warner, Acting Chief Executive Officer, (6/9/2003 – 23/1/2004, and 17/6/2004 30/6/2004).

During the financial year amounts of \$438 and \$9,196 were paid to Mr I Dickenson and Mr Brett Hooper respectively to assist in the establishment of innovative multipurpose farm forestry plantings to produce substantial environmental benefits. This work is funded by the Natural Heritage Trust under the Integrated Farm Forestry Planning and Forest Establishment Project. The services were transacted on the same terms and conditions as those entered into with other individuals and organisations.

13. FINANCIAL INSTRUMENTS

Credit risk exposures

The credit risk on financial assets of the entity which have been recognised on the Statement of Financial Position is generally the carrying amount, net of any provisions for loss.

Interest Rate Risk Exposures

The entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

Exposures arise predominantly from assets and liabilities being variable interest rates as the entity intends to hold fixed rate assets and liabilities to maturity.

	WAEIR 2004	WAEIR 2003	Floating Interest Rate \$'000	<u>Fixed Interest Maturing in:</u>			Non Bearing \$'000	- Interest Total \$'000
				1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
Financial Assets								
Cash	3.1%	3.0%	315					315
Investments	5.0%	4.8%		1,000				1,000
Receivables							217	217
Loans receivable	7%	7%		<u>144</u>	<u>1,088</u>		<u>217</u>	<u>1,232</u>
			315	1,144	1,088		217	2,764
2002/03			176	1,545	1,208		245	3,174
Financial Liabilities								
Trade creditors							103	103
Accrued expenses							2	2
Unexpended grants							77	77
Borrowings	7%	7%		<u>144</u>	<u>1,644</u>		<u>182</u>	<u>1,788</u>
				144	1,644		182	1,970
2002/03				145	1,707		590	2,442
Net Financial Assets/Liabilities			315	1,000	(556)		35	794
2002/03			176	1,400	(499)		(345)	732

WAEIR - weighted average effective interest rate.

Net Fair Value of Financial Assets and Liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and liabilities approximates their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based on market prices where a market exists or by discounting expected future cash flows by the current interest rates for assets and liabilities with similar risk properties.

The carrying amounts and net fair values of financial assets and liabilities at balance date are as follows:

	2004		2003	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash	315	315	176	176
Investments	1,000	1,000	1,400	1,400
Receivables	217	217	245	245
Loans receivable	<u>1,232</u>	<u>1,232</u>	<u>1,353</u>	<u>1,353</u>
	2,764	2,764	3,174	3,174
Financial Liabilities				
Trade creditors	103	103	58	58
Accrued expenses	2	2	40	40
Unexpended grants	77	77	492	492
Borrowings	<u>1,788</u>	<u>1,788</u>	<u>1,852</u>	<u>1,852</u>
	1,970	1,970	2,442	2,442

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

14. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Private Forests Tasmania is transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The Authority has allocated resources to assess the impact of the transition to IFRS. As the Authority has a 30 June year-end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when the Authority prepares its first fully IFRS compliant financial statements for the year ended 30 June 2006. Set out below are the key areas where accounting policies will change and may have an impact on the Authority's accounts. At this stage the Authority has not been able to reliably quantify the impacts on the financial report.

Classification of Financial Instruments

Under AASB 139 Financial Instruments: Recognition and Measurement, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of each item. The classifications are:

- Loans and receivables - measured at amortised cost,
- Held to maturity - measured at amortised cost,
- Held for trading – measured at fair value with fair value changes charged to net profit or loss,
- Available for sale – measured at fair value with fair value changes taken to equity and Non-trading liabilities - measured at amortised cost.

This will result in a change in the current accounting policy that does not classify financial instruments. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

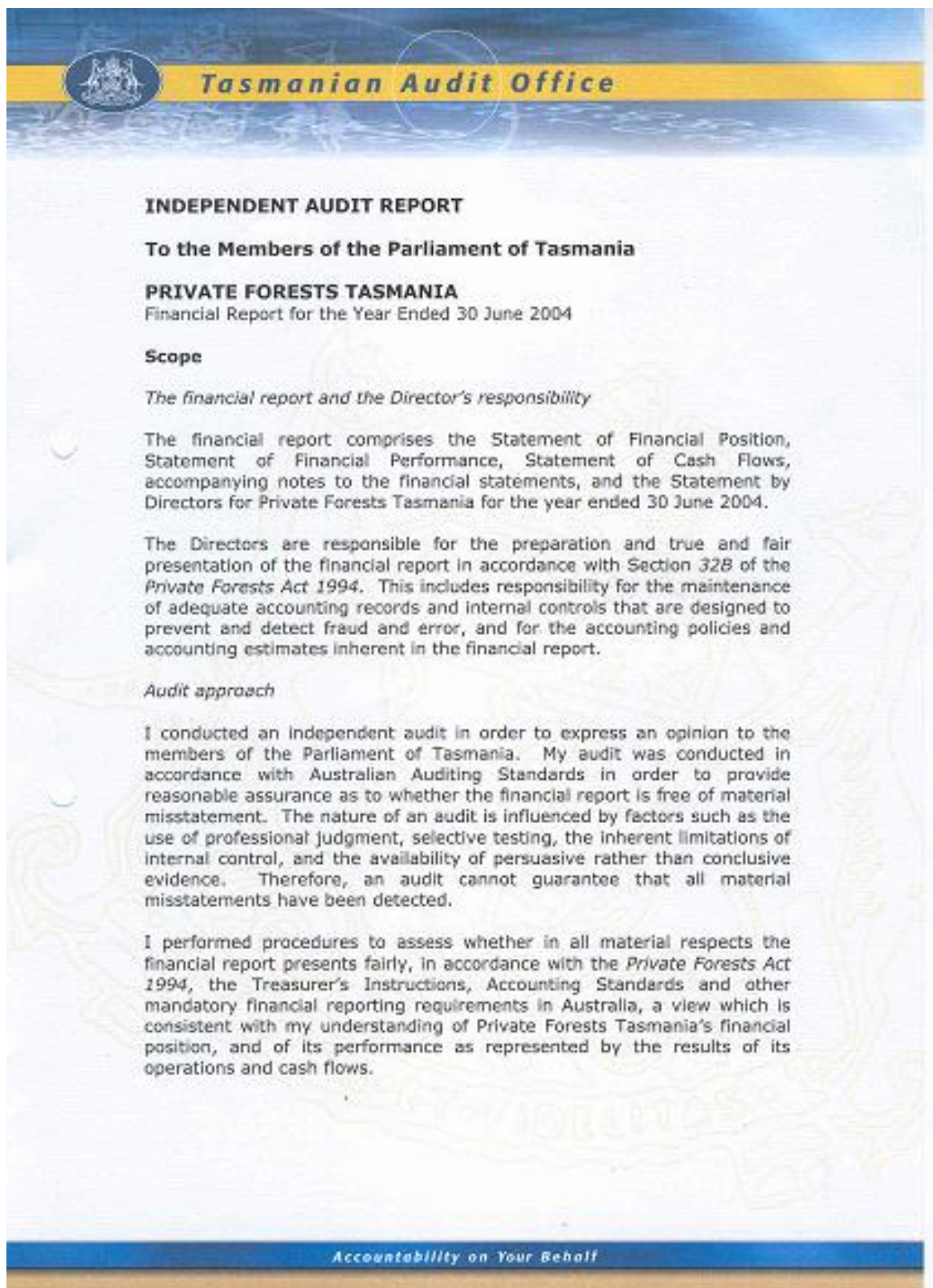
Valuation and Impairment of Non-Current Assets

Accounting Standard AASB 1 First-time Adoption of Australian International Financial Reporting Pronouncements allows entities to decide on the valuation basis for non-current assets. The majority of Private Forests Tasmania's Property, Plant and Equipment is currently measured on a cost basis. The Authority has not yet determined the basis of valuation under IFRS. The future financial effect of any change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

The Authority will also be required to comply with the provisions of AASB 136 Impairment of Assets, which replaces the existing recoverable amounts test with a more robust impairment test. Under AASB 136, the recoverable amount of an asset is determined as the higher of net selling price and value in use. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

15. LEGAL ACTION

The Authority was a defendant in a legal action involving an appeal against the approval of a private timber reserve. A decision on this legal action was handed down by the court subsequent to the 30 June 2003 and legal counsel advised that orders may be sought against the Authority for legal costs. During 2003-04, the court awarded costs against the Authority and this is recognised in the 2003-04 financial statements.



I formed my audit opinion on the basis of these procedures, which included:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

While I considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of my procedures, my audit was not designed to provide assurance on internal controls.

The Audit Opinion expressed in this report has been formed on the above basis.

Independence

In conducting my audit, I followed applicable independence requirements of Australian professional ethical pronouncements.

Audit Opinion

In my opinion the financial report presents fairly, in accordance with the *Private Forests Act 1994* and applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of Private Forests Tasmania as at 30 June 2004, and the results of its operations and its cash flows for the year then ended.

TASMANIAN AUDIT OFFICE



R Luciani
ASSISTANT DIRECTOR, FINANCIAL AUDIT

Delegate of the Auditor-General

20 August 2004
LAUNCESTON