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## 10.6 GTE performance reports

Forests NSW

VicForests (Victoria)

Forestry Plantations Queensland

Forest Products Commission Western Australia

ForestrySA

Forestry Tasmania

Forests NSW (FNSW) operates under the *Forestry Act 1916* and is responsible for managing more than 2 million hectares of native and planted forests throughout NSW. A large proportion of assets owned by forestry GTEs are self-generating and regenerating assets (SGARAs). Their value can fluctuate significantly each year because of revaluations, affecting measures of profitability and financial management. In December 2006, fire destroyed around 8500 hectares of FNSW's pine plantations and 100 000 hectares of native forest.

Total income was \$98.6 million in 2006-07, down \$99.4 million (50.2 per cent) from the previous financial year. This included a downward SGARA revaluation of \$173 million (there was a downward revaluation of \$62.8 million in 2005-06).

Profit before tax (before SGARAs) fell by \$39.6 million (54.1 per cent) to \$33.6 million in 2006-07. This is attributable to the combined effect of comparatively steady timber sales revenue and a \$50.4 million (27.0 per cent) increase in expenses, mainly related to defined benefit superannuation, personnel services and materials costs. After SGARA revaluations are included, FNSW recorded a loss before tax of \$139 million, in contrast with a profit before tax of \$10.4 million in 2005-06.

Self-generating and regenerating assets accounted for approximately \$1.4 billion (51.9 per cent) of FNSW's assets in 2006-07. Total assets increased by \$175 million (6.9 per cent), the net result of reduced SGARAs (\$155 million) and a \$311 million upwards revaluation of land. Total liabilities increased by \$70.7 million (9.9 per cent) because of higher deferred tax liabilities (\$50.3 million) and debt (\$21.5 million). Reduced profitability and increased assets led to the return on assets falling from 7.5 per cent to 3.0 per cent in 2006-07.

Provision was made for \$16.0 million in dividends in 2006-07, a decrease of \$8.0 million from 2005-06. FNSW recorded an income tax-equivalent benefit of \$40.0 million in 2006-07.

Community service obligation (CSO) payments of \$9.6 million were received in 2006-07, accounting for 9.7 per cent of total income. FNSW reported that the costs of supplying CSOs, which included recreational facilities and community fire protection, was \$11.1 million in 2006-07.

## FORESTS NSW (continued)

### Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS <sup>a,b</sup>		AIFRS <sup>a</sup>	
		2004-05	2004-05	2005-06	2006-07
<i>Size</i>					
Total assets	\$m	2 592	2 643	2 529	2 704
Total income	\$m	208	199	198	99
<i>Profitability</i>					
Profit before tax	\$'000	47 648	37 310	73 150	33 599
Operating profit margin	%	14.7	10.2	25.8	7.7
Cost recovery	%	117.2	111.4	134.7	108.4
Return on assets	%	4.8	3.8	7.5	3.0
Return on total equity	%	1.4	0.6	3.1	3.2
Return on operating equity <sup>c</sup>	%	3.9	1.6	8.0	6.9
<i>Financial management</i>					
Debt to equity	%	18.4	19.7	19.4	15.6
Debt to assets	%	14.0	14.1	14.3	14.2
Total liabilities to equity	%	23.2	43.5	39.2	40.7
Operating liabilities to equity <sup>d</sup>	%	30.8	39.7	35.1	26.3
Interest cover <sup>e</sup>	times	..	..	..	..
Current ratio	%	79.5	49.9	64.0	67.1
Leverage ratio	%	130.8	139.7	135.1	126.3
<i>Payments to and from government</i>					
Dividends	\$'000	27 254	27 254	24 000	16 000
Dividend to equity ratio	%	3.6	3.9	3.4	1.8
Dividend payout ratio	%	92.2	246.9	42.7	26.7
Income tax expense	\$'000	4 753	12 937	8 584	-39 965
Grants revenue ratio	%	2.7	2.7	2.5	2.5
CSO funding	\$'000	9 557	9 557	9 557	9 557
<i>Performance indicators after SGARAs</i>					
Profit before tax	\$'000	7 656	-2 682	10 391	-139 042
Return on assets	%	–	–	–	-0.1
Return on operating equity	%	–	–	–	-0.1

<sup>a</sup> Forests NSW (FNSW) commenced reporting under the Australian-equivalent International Financial Reporting Standards (AIFRS) on 30 June 2006. The implications of the transition to AIFRS were discussed in the *Financial Performance of Government Trading Enterprises 2000-01 to 2004-05* report. Data for 2004-05 are reported on an AIFRS and pre-AIFRS basis to illustrate the effect of the transition for FNSW. <sup>b</sup> Data for years prior to 2004-05 are available in previous *Financial Performance of Government Trading Enterprises* reports. These data were based on the Government Financial Statistics framework and are not directly comparable with the data reported in this table, which are based on GTE annual reports. <sup>c</sup> Refers to 'return on equity based on operating assets and liabilities'. <sup>d</sup> Refers to 'operating liabilities to equity based on operating assets and liabilities'. <sup>e</sup> Interest cover was not calculated, because borrowing costs relating to assets that take a considerable period to become commercially productive were capitalised. .. Not applicable. – Zero or rounded to zero.

VicForests commenced operation on 1 August 2004 and is responsible for the harvest and sale of timber resources from Victoria's state forests.<sup>1</sup> Its activities are regulated by the *Sustainable Forests (Timber) Act 2004* and the *State Owned Enterprises Act 1992*. A large proportion of assets owned by forestry GTEs are self-generating and regenerating assets (SGARAs). Their value can fluctuate significantly each year because of revaluations, affecting measures of profitability and financial management. Around 1.1 million hectares of national park and state forest were damaged by fire in Victoria in 2006-07. VicForests began including harvest and haulage activities in its production process on 1 July 2006.

Total income was \$103 million in 2006-07, up \$66.3 million from 2005-06. This included a downward SGARA revaluation of \$111 000 (there was a downward revaluation of \$2.0 million in 2005-06). Revenue from sale of sawlogs and pulpwood logs increased by \$61.6 million (176 per cent) because of higher prices.

Profit before tax (before SGARAs) fell by \$4.9 million (98.2 per cent) to \$88 000 in 2006-07. This was attributable to a \$69.3 million (204 per cent) rise in expenses outweighing the increase in income. Harvesting and haulage expenses were \$68.4 million, compared with \$294 000 in 2005-06. After SGARA revaluations are included, VicForests recorded a loss before tax of \$23 000.

VicForests' SGARAs were valued at zero in 2006-07, down from \$4.2 million in 2005-06.<sup>2</sup> Total assets increased by \$3.0 million and liabilities increased by \$5.1 million (43.3 per cent) to \$16.9 million, largely due to accrued expenses. Return on assets fell from 18.6 per cent to 0.3 per cent due to reduced profitability.

Dividends are determined by the Victorian Treasurer following consultation with the VicForests Board. A \$2.1 million dividend was distributed in 2006-07 relating to the financial performance in 2005-06. An income tax-equivalent benefit of \$6000 was recorded for 2006-07. No community service obligation funding was received.

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<sup>1</sup> The Department of Sustainability and Environment is responsible for the stewardship (policy and regulation) of Victorian state forests.

<sup>2</sup> Under the *Sustainable Forests (Timber) Act 2004*, the Minister for the Environment made an Allocation Order that allows VicForests to harvest in three 5-year tranches over the following 15 years. Only timber remaining to be harvested in the 5-year Timber Release Plan (TRP) is valued as SGARAs. The effects of bushfires in 2006-07 required amendments to TRPs in order to meet short-term supply commitments and to enable salvage operations in fire-affected areas. Consequently, VicForests could only reliably value the standing timber available during the 12 months to 30 June 2007. It was considered that the sale of this timber would not give rise to positive returns to VicForests, and thus has been valued at zero.

## VICFORESTS (continued)

### Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS <sup>a</sup>		AIFRS <sup>a</sup>	
		2004-05 <sup>b</sup>	2004-05 <sup>b</sup>	2005-06	2006-07
<i>Size</i>					
Total assets	\$m	37	37	35	38
Total income	\$m	41	41	37	103
<i>Profitability</i>					
Profit before tax	\$'000	10 985	10 985	5 019	88
Operating profit margin	%	28.1	28.1	10.8	-1.4
Cost recovery	%	139.0	139.0	112.0	98.6
Return on assets	%	45.5	45.5	18.6	0.3
Return on total equity	%	25.4	25.3	14.0	-6.5
Return on operating equity <sup>c</sup>	%	35.2	35.1	18.7	-7.8
<i>Financial management</i>					
Debt to equity	%	0.9	0.9	0.7	0.4
Debt to assets	%	0.6	0.6	0.5	0.2
Total liabilities to equity	%	62.9	66.0	50.8	80.0
Operating liabilities to equity <sup>d</sup>	%	53.9	53.9	63.2	88.9
Interest cover	times	29.4	29.4	279.8	7.8
Current ratio	%	362.1	288.4	233.2	188.6
Leverage ratio	%	153.9	153.9	163.2	188.9
<i>Payments to and from government</i>					
Dividends	\$'000	–	–	3 024	2 062
Dividend to equity ratio	%	–	–	17.7	11.2
Dividend payout ratio	%	..	..	94.7	..
Income tax expense	\$'000	4 937	4 955	895	-6
Grants revenue ratio	%	–	–	–	0.8
CSO funding	\$'000	–	–	–	–
<i>Performance indicators after SGARAs</i>					
Profit before tax	\$'000	13 135	13 135	2 980	-23
Return on assets	%	0.4	0.4	0.1	–
Return on operating equity	%	0.5	0.5	0.1	–

<sup>a</sup> VicForests commenced reporting under the Australian-equivalent International Financial Reporting Standards (AIFRS) on 30 June 2006. The implications of the transition to AIFRS were discussed in the *Financial Performance of Government Trading Enterprises 2000-01 to 2004-05* report. Data for 2004-05 are reported on an AIFRS and pre-AIFRS basis to illustrate the effect of the transition for VicForests. <sup>b</sup> VicForests commenced operations on 1 August 2004. Data for 2004-05 reflect 11 months of operation. <sup>c</sup> Refers to 'return on equity based on operating assets and liabilities'. <sup>d</sup> Refers to 'operating liabilities to equity based on operating assets and liabilities'. .. Not applicable. – Zero or rounded to zero.

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## FORESTRY PLANTATIONS QUEENSLAND

## Queensland

Forestry Plantations Queensland (FPQ) was established on 1 May 2006 under the *Forestry Plantations Queensland Act 2006*.<sup>1</sup> FPQ manages 199 000 hectares of state-controlled softwood and hardwood plantations. A large proportion of assets owned by forestry GTEs are self-generating and regenerating assets (SGARAs). Their value can fluctuate significantly each year because of revaluations, affecting measures of profitability and financial management. Although fire burnt 460 hectares of plantation in 2006-07, only 50 hectares were lost.

Total income was \$38.6 million in 2006-07, **of which \$82 million was gains on disposal of biological assets which offset a -\$55 million downward SGARA revaluation**. Revenue from timber sales was \$1.1 million. Financial data on FPQ's 2005-06 performance are for the period 1 May 2006 to 30 June 2006, and therefore 2005-06 revenue and expenses data are not directly comparable with 2006-07 data.

A **profit** before tax (before SGARAs) of **\$13.5 million** was recorded in 2006-07. Total expenses were \$79.7 million. After SGARA revaluations are included, FPQ recorded a loss of \$41.1 million.

Around \$1.1 billion (86.7 per cent) of FPQ's assets are SGARAs. Total assets decreased by \$51.3 million (3.9 per cent) to \$1.2 billion, largely because of a \$54.9 million reduction in SGARAs. Total liabilities decreased by \$19.2 million (9.2 per cent) to \$190 million, mainly because of reduced deferred tax liabilities. The decline in the value of assets combined with the loss before tax resulted in a return on assets of -38.4 per cent.

A dividend of \$5.4 million was declared for 2006-07.<sup>2</sup> As a result of its **loss after SGARAs**, FPQ recorded an income tax-equivalent benefit of \$12.8 million in 2006-07.

Forestry Plantations Queensland did not receive community service obligation payments in 2006-07.

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<sup>1</sup> The Queensland Government reformed the commercial forest management activities previously undertaken by DPI Forestry in 2006. DPI Forestry was replaced by two new entities, FPQ and Forestry Plantations Queensland Office (FPQO). FPQO was established on 1 May 2006 to support and complement FPQ's operations by providing administrative services and by having the custodial responsibility for the new State Plantation Forest lands. Native forest harvesting, formerly managed by DPI Forestry, is now managed by the Department of Natural Resources and Water.

<sup>2</sup> Forestry Plantations Queensland paid dividends of \$11.3 million in 2006-07 relating to 2005-06. This comprises the net effect of a -\$3.7 million dividend declared by FPQ for operations after 1 May 2006 and \$15.0 million of unpaid dividends assumed from DPI Forestry.

## Performance indicators 2004-05 to 2006-07

Indicators	Units	Published in 2008 Report		Revised numbers	
		2005-06 <sup>a</sup>	2006-07	2005-06 <sup>a</sup>	2006-07
<i>Size</i>					
Total assets	\$m	1 300	1 249	1 300	1 249
Total income	\$m	17	39	17	39
<i>Profitability</i>					
Profit before tax	\$'000	-23 376	-68 832	<b>-7 289</b>	<b>13 543</b>
Operating profit margin	%	-4 739.3	-1 630.2	<b>-42.5</b>	<b>14.6</b>
Cost recovery	%	2.1	5.8	<b>70.2</b>	<b>117.1</b>
Return on assets	%	-13.8	-38.4	<b>-3.9</b>	<b>11.7</b>
Return on total equity	%	-1.9	-5.3	<b>-0.5</b>	<b>2.4</b>
Return on operating equity <sup>b</sup>	%	-30.4	-76.1	<b>-7.2</b>	<b>34.1</b>
<i>Financial management</i>					
Debt to equity	%	110.2	95.4	110.2	95.4
Debt to assets	%	47.0	46.5	47.0	46.5
Total liabilities to equity	%	19.2	18.0	19.2	18.0
Operating liabilities to equity <sup>c</sup>	%	134.3	107.5	134.3	107.5
Interest cover	times	..	..	<b>-6.6</b>	<b>3.4</b>
Current ratio	%	440.7	702.7	440.7	702.7
Leverage ratio	%	234.3	207.5	234.3	207.5
<i>Payments to and from government</i>					
Dividends <sup>d</sup>	\$'000	-3 741	5 435	-3 741	5 435
Dividend to equity ratio	%	-5.4	7.3	-5.4	7.3
Dividend payout ratio	%	..	..	<b>74.6</b>	<b>21.3</b>
Income tax expense	\$'000	-2 028	-12 824	-2 028	-12 824
Grants revenue ratio	%	15.1	29.2	<b>1.0</b>	<b>3.4</b>
CSO funding	\$'000	-	-	-	-
<i>Performance indicators after SGARAs</i>					
Profit before tax	\$'000	-7 353	-41 065	-7 353	-41 065
Return on assets	%	-	-	-	-
Return on operating equity	%	-	-	-	-

<sup>a</sup> Forestry Plantations Queensland (FPQ) was created when DPI Forestry was split into FPQ and Forestry Plantations Queensland Office (FPQO) on 1 May 2006. FPQ data for 2005-06 relate to the period 1 May 2006 to 30 June 2006. Although earlier data are not available for FPQ, data for FPQ's predecessor (DPI Forestry) are available in previous *Financial Performance of Government Trading Enterprises* reports. These data are not directly comparable for a number of reasons. First, DPI Forestry had additional responsibilities to the FPQ which were transferred to FPQO and the Department of Natural Resources and Water. Second, DPI Forestry did not report under AIFRS prior to 2005-06. Third, DPI Forestry data were based on the Government Financial Statistics framework, whereas the data in this table are based on the FPQ's annual report. <sup>b</sup> Refers to 'return on equity based on operating assets and liabilities'. <sup>c</sup> Refers to 'operating liabilities to equity based on operating assets and liabilities'. <sup>d</sup> A negative dividend was declared for 2005-06, as this formed 50 per cent of the operating loss for the two months included for 2005-06. .. Not applicable. - Zero or rounded to zero.

The Forest Products Commission Western Australia (FPCWA) was established under the *Forest Products Act 2000* and is responsible for the commercial production, allocation and sale of forest products from WA native forests and state-owned and state-managed plantations. FPCWA manages tree farms on public and private land. A large proportion of assets owned by forestry GTEs are self-generating and regenerating assets (SGARAs). Their value can fluctuate significantly each year because of revaluations, affecting measures of profitability and financial management.

Total income was \$85.9 million in 2006-07, down \$44.9 million (34.4 per cent) from 2005-06. This included a downward SGARA revaluation of \$45.8 million (there was an upward revaluation of \$13.1 million in 2005-06).

Profit before tax (before SGARAs) increased by \$1.9 million (9.8 per cent) to \$21.7 million in 2006-07. Sales revenue increased slightly and there was a \$10.4 million increase in Commonwealth Government funding for the National Action Plan (NAP) for Salinity and Water Control. Total expenses increased by \$13.2 million, largely attributable to a \$10.0 million negative expense recorded in 2005-06 for the reversal of provisions made in 2004-05.<sup>1</sup> After SGARA revaluations are included, FPCWA recorded a loss before tax of \$24.0 million, in contrast with a profit before tax of \$32.9 million in 2005-06.

Self-generating and regenerating assets accounted for \$331 million (74.8 per cent) of the FPCWA's assets in 2006-07. Total assets increased by \$16.1 million (3.8 per cent), mostly due to NAP payments to be received (\$41.4 million). Total liabilities increased by \$33.9 million (21.0 per cent) because of deferred income. Reduced profitability offset higher assets, leading to return on assets falling 17.5 percentage points to 32.1 per cent.

A dividend of \$2.7 million was paid in 2006-07 for the 2005-06 financial year. As a result of its financial performance, FPCWA recorded an income tax-equivalent benefit of \$6.4 million in 2006-07.

Community service obligation payments of \$2.4 million were received in 2006-07, for FPCWA's forest enhancement program. In addition, it received funding for the NAP and for the Rural Industries Research and Development Corporation from the Commonwealth Government, totalling \$13.3 million.

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<sup>1</sup> A provision raised for claims against FPCWA, arising out of the WA Government's *Protecting Our Old Growth Forests* policy, was reversed as FPCWA was cleared of liability. The amount of this provision was reported as a negative expense in 2005-06.

## FOREST PRODUCTS COMMISSION (continued)

### Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS <sup>a,b</sup>		AIFRS <sup>a</sup>	
		2004-05	2004-05	2005-06	2006-07
<i>Size</i>					
Total assets	\$m	399	389	426	442
Total income	\$m	102	102	131	86
<i>Profitability</i>					
Profit before tax	\$'000	-12 822	-14 603	19 788	21 732
Operating profit margin	%	-9.0	-10.7	19.8	11.6
Cost recovery	%	91.8	90.4	124.7	113.2
Return on assets	%	-11.9	-19.6	49.6	32.1
Return on total equity	%	-1.8	-6.5	5.1	7.9
Return on operating equity <sup>c,d</sup>	%	..	..	..	..
<i>Financial management</i>					
Debt to equity	%	..	..	..	..
Debt to assets	%	159.7	209.2	174.6	107.2
Total liabilities to equity	%	56.3	61.7	60.9	79.0
Operating liabilities to equity <sup>e</sup>	%	..	..	..	..
Interest cover	times	..	..	4.3	4.8
Current ratio	%	85.4	67.9	121.5	211.4
Leverage ratio	%	..	..	..	..
<i>Payments to and from government</i>					
Dividends	\$'000	1 470	1 470	–	2 700
Dividend to equity ratio	%	..	..	..	..
Dividend payout ratio	%	..	..	–	13.3
Income tax expense	\$'000	-4 399	4 938	9 761	-6 418
Grants revenue ratio	%	2.0	2.0	2.5	10.0
CSO funding	\$'000	1 100	1 100	1 070	2 370
<i>Performance indicators after SGARAs</i>					
Profit before tax	\$'000	-13 319	-15 100	32 868	-24 025
Return on assets	%	–	–	0.1	–
Return on operating equity	%	–	–	0.1	-0.1

<sup>a</sup> Forest Products Commission Western Australia (FPCWA) commenced reporting under the Australian-equivalent International Financial Reporting Standards (AIFRS) on 30 June 2006. The implications of the transition to AIFRS were discussed in the *Financial Performance of Government Trading Enterprises 2000-01 to 2004-05* report. Data for 2004-05 are reported on an AIFRS and pre-AIFRS basis to illustrate the effect of the transition for FPCWA. <sup>b</sup> Data for years prior to 2004-05 are available in previous *Financial Performance of Government Trading Enterprises* reports. These data were based on the Government Financial Statistics framework and are not directly comparable with the data reported in this table, which are based on GTE annual reports. <sup>c</sup> Refers to 'return on equity based on operating assets and liabilities'. <sup>d</sup> Equity based on operating assets and liabilities (before SGARA) was negative for FPCWA during the period 2004-05 to 2006-07. <sup>e</sup> Refers to 'operating liabilities to equity based on operating assets and liabilities'. .. Not applicable. – Zero or rounded to zero.

ForestrySA operates under the *South Australian Forestry Corporation Act 2000* and is responsible for managing over 83 000 hectares of plantation. A large proportion of assets owned by forestry GTEs are self-generating and regenerating assets (SGARAs). Their value can fluctuate significantly each year because of revaluations, affecting measures of profitability and financial management. Drought conditions caused the survival rate of new plantings of over 2700 hectares to be lower than previous years. Fires burnt 345 hectares of plantation in 2006-07.

Total income was \$157 million in 2006-07, up \$43.3 million (38.0 per cent) from 2005-06. This included an upward SGARA revaluation of \$23.0 million (there was a downward revaluation of \$18.6 million in 2005-06).

Profit before tax (before SGARAs) fell by \$1.5 million (3.3 per cent) to \$43.8 million in 2006-07. Revenue from the sale of timber products increased slightly (\$4.6 million). However, this was outweighed by a decline in community service obligation (CSO) funding and a \$3.3 million increase in total expenses. After SGARA revaluations are included, ForestrySA recorded a profit before tax of \$66.8 million, 150 per cent higher than in 2005-06.

Around \$613 million (54.9 per cent) of ForestrySA's assets were SGARAs in 2006-07. Total assets increased by \$57.7 million (5.5 per cent) because of increased SGARAs (\$22.5 million), additions to infrastructure assets and revaluation of land. There was a \$15.0 million (48.4 per cent) rise in total liabilities because debt was increased by \$18.9 million (186 per cent). Reduced profitability led to a lower return on assets of 9.2 per cent.

Dividends totalling \$29.8 million were paid or provided for in 2006-07.<sup>1</sup> An income tax-equivalent expense of \$12.3 million was recorded.

ForestrySA received CSO funding of \$2.7 million in 2006-07, to undertake activities including native forest management, community use of forests and community protection (including fire protection).

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<sup>1</sup> This included a dividend of \$27.1 million declared for the 2006-07 year, plus additional dividends for the 2004-05 and 2005-06 financial years of \$76 000 and \$2.6 million respectively.

## FORESTRYSA (continued)

### Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS <sup>a,b</sup>		AIFRS <sup>a</sup>	
		2004-05	2004-05	2005-06	2006-07
<i>Size</i>					
Total assets	\$m	1 032	1 035	1 059	1 116
Total income	\$m	104	104	114	157
<i>Profitability</i>					
Profit before tax	\$'000	46 862	46 856	45 317	43 835
Operating profit margin	%	35.3	35.3	33.1	31.5
Cost recovery	%	154.5	154.5	149.4	145.9
Return on assets	%	11.1	11.1	10.3	9.2
Return on total equity	%	3.0	3.0	3.0	2.7
Return on operating equity <sup>c</sup>	%	7.7	7.6	7.2	6.4
<i>Financial management</i>					
Debt to equity	%	1.2	1.2	2.3	6.3
Debt to assets	%	1.2	1.2	2.3	6.0
Total liabilities to equity	%	3.5	3.5	3.0	4.3
Operating liabilities to equity <sup>d</sup>	%	6.7	6.6	6.5	9.4
Interest cover	times	292.1	292.0	113.7	50.6
Current ratio	%	271.6	271.4	312.9	398.7
Leverage ratio	%	106.7	106.6	106.5	109.4
<i>Payments to and from government</i>					
Dividends <sup>e</sup>	\$'000	21 666	21 666	29 650	29 817
Dividend to equity ratio	%	5.5	5.4	7.1	6.6
Dividend payout ratio	%	71.6	71.6	97.8	103.4
Income tax expense	\$'000	14 105	14 105	12 563	12 282
Grants revenue ratio	%	0.4	0.4	0.4	0.5
CSO funding	\$'000	3 600	3 600	4 798	2 665
<i>Performance indicators after SGARAs</i>					
Profit before tax	\$'000	22 343	22 337	26 735	66 820
Return on assets	%	–	–	–	0.1
Return on operating equity	%	–	–	–	0.1

<sup>a</sup> ForestrySA commenced reporting under the Australian-equivalent International Financial Reporting Standards (AIFRS) on 30 June 2006. The implications of the transition to AIFRS were discussed in the *Financial Performance of Government Trading Enterprises 2000-01 to 2004-05* report. Data for 2004-05 are reported on an AIFRS and pre-AIFRS basis to illustrate the effect of the transition for ForestrySA. <sup>b</sup> Data for years prior to 2004-05 are available in previous *Financial Performance of Government Trading Enterprises* reports. These data were based on the Government Financial Statistics framework and are not directly comparable with the data reported in this table, which are based on GTE annual reports. <sup>c</sup> Refers to 'return on equity based on operating assets and liabilities'. <sup>d</sup> Refers to 'operating liabilities to equity based on operating assets and liabilities'. <sup>e</sup> Dividends in 2005-06 included \$24.6 million declared, plus a \$5.1 million extra dividend declared for 2004-05. Dividends in 2006-07 included \$27.1 million declared, plus additional dividends for 2004-05 and 2005-06 of \$76 000 and \$2.6 million respectively. – Zero or rounded to zero.

Forestry Tasmania was established by the *Forestry Act 1920* and is subject to the *Government Business Enterprises Act 1995*. It is responsible for managing approximately 1.6 million hectares of state forests and plantations. A large proportion of assets owned by forestry GTEs are self-generating and regenerating assets (SGARAs). Their value can fluctuate significantly each year because of revaluations, affecting measures of profitability and financial management. Around 5200 hectares of hardwood and softwood plantations were established in 2006-07. However, fires burnt 3400 hectares of state forest.

Total income was \$201 million in 2006-07, up \$32.2 million (19.0 per cent) from 2005-06. This included an upward SGARA revaluation of \$37.8 million (there was an upward revaluation of \$6.7 million in 2005-06). It also included superannuation actuarial losses of \$8.2 million.

Profit before tax (before SGARAs) fell by \$4.0 million (25.5 per cent) to \$11.6 million in 2006-07. There was a \$19.7 million increase in revenue from the sale of forest products and a \$4.6 million rise in income from the Tasmanian Community Forest Agreement (TCFA).<sup>1</sup> This outweighed an increase in total expenses of \$22.2 million, mainly due expenses from operations rising by \$22.7 million. After SGARA revaluations are included, Forestry Tasmania recorded a profit before tax of \$49.4 million, 121 per cent higher than in 2005-06.

Self-generating and regenerating assets accounted for \$389 million (41.8 per cent) of Forestry Tasmania's assets in 2006-07. Total assets increased by \$49.1 million (5.6 per cent) mainly because of increased SGARAs (\$28.2 million), and additions to buildings and forest estate assets. Total liabilities increased by \$32.0 million (10.3 per cent), mainly because of growth in payables, debt and deferred tax liabilities. Return on assets fell to 2.8 per cent in 2006-07.

Forestry Tasmania distributed \$1.3 million in dividends and recorded a \$12.1 million income tax-equivalent expense in 2006-07.

Although Forestry Tasmania does not receive funding for community service obligations, its annual report states that it was required to undertake non-commercial activities costing \$5.3 million in 2006-07.

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<sup>1</sup> The TCFA was established between the Australian and Tasmanian Governments in 2004-05. Projects qualifying for funding under the TCFA include the establishment of hardwood plantations, forestry management activities, road construction for Special Timber Management Units and various other research related tasks.

## FORESTRY TASMANIA (continued)

### Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS <sup>a,b</sup>		AIFRS <sup>a</sup>	
		2004-05	2004-05	2005-06	2006-07
<i>Size</i>					
Total assets	\$m	863	873	881	930
Total income	\$m	151	139	169	201
<i>Profitability</i>					
Profit before tax	\$'000	13 506	12 777	15 621	11 645
Operating profit margin	%	8.0	5.5	-4.3	-9.6
Cost recovery	%	108.6	105.8	95.9	91.2
Return on assets	%	3.2	3.1	3.7	2.8
Return on total equity	%	1.9	2.3	-2.5	-4.5
Return on operating equity <sup>c</sup>	%	4.1	4.4	-4.6	-8.4
<i>Financial management</i>					
Debt to equity	%	9.8	10.8	11.2	13.3
Debt to assets	%	6.8	6.8	7.3	8.2
Total liabilities to equity	%	23.9	55.2	54.7	58.5
Operating liabilities to equity <sup>d</sup>	%	43.0	58.4	55.6	64.8
Interest cover	times	9.5	8.5	8.6	5.8
Current ratio	%	101.9	102.4	88.4	72.6
Leverage ratio	%	143.0	158.4	155.6	164.8
<i>Payments to and from government</i>					
Dividends	\$'000	5 232	5 232	2 447	1 297
Dividend to equity ratio	%	1.6	1.8	0.8	0.4
Dividend payout ratio	%	38.8	40.1	..	..
Income tax expense	\$'000	-695	-4 392	8 526	12 108
Grants revenue ratio	%	–	0.9	12.0	13.3
CSO funding	\$'000	–	–	–	–
<i>Performance indicators after SGARAs</i>					
Profit before tax	\$'000	861	132	22 366	49 398
Return on assets	%	–	–	–	0.1
Return on operating equity	%	–	–	–	0.1

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<sup>b</sup> Data for years prior to 2004-05 are available in previous *Financial Performance of Government Trading Enterprises* reports. These data were based on the Government Financial Statistics framework and are not directly comparable with the data reported in this table, which are based on GTE annual reports. <sup>c</sup> Refers to 'return on equity based on operating assets and liabilities'. <sup>d</sup> Refers to 'operating liabilities to equity based on operating assets and liabilities'. .. Not applicable. – Zero or rounded to zero.