



CRC Forestry Limited

ACN 115 064 910

Annual financial report for the year ended 30 June 2011

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	Page
Directors' report	3
Auditor's independence declaration	6
Independent auditor's report	7
Directors' declaration	9
Statement of comprehensive income	10
Statement of financial position	11
Statement of cash flows	12
Statement of changes in equity	13
Notes to the financial statements	14

Directors' report

The directors of CRC Forestry Limited submit herewith the annual financial report of the company for the year ended 30 June 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors

The names and particulars of the directors of the company during or since the end of the year are:

Directors

Name	Particulars
Anne Katherine Carnell	(AO, BPharm, FAIM, FAIPM, MAICD). Chief Executive Officer, Australian Food and Grocery Council. Joined the Board at incorporation of the company on 30 June 2005 in a non-executive capacity. Ms Carnell is Chair of the Board, Chair of the Remuneration and Nomination Committee, and a member of the Compliance and Communications Committees. Ms Carnell is currently a Director of Red Cross Australia, beyondblue, The Aged Care Standards and Accreditation Agency Ltd.
Johannes Hendrik Drielsma	(BScFor(Hons), MForSci, PhD). Executive General Manager, Forestry Tasmania. Joined the Board at incorporation of the company on 30 June 2005 in a non-executive capacity. Dr Drielsma is the Chair of the Communications Committee and a member of the Remuneration and Nomination Committee.
Gary Brian Inions	(BSc(Hons), PhD). Managing Director, Hansol PI Pty Ltd. Joined the Board on 13 December 2005 in a non-executive capacity. Dr Inions is a member of the Remuneration and Nomination and Commercialisation and Intellectual Property Committees.
James Balfour Reid	(BSc(Hons), PhD, DSc, FTSE, awarded David Syme Research Medal (1989) and the Royal Society of Tasmania Medal (2000)). Distinguished Professor, University of Tasmania. Joined the Board at incorporation of the company on 30 June 2005 in a non-executive capacity. Professor Reid is a member of the Remuneration and Nomination Committee and is Chair of the Commercialisation and Intellectual Property Committee.
Robert Geoffrey Woolley	(BEc, FCA). Chair of the Forests and Forest Industry Council of Tasmania, and previously a partner in Deloitte Touche Tohmatsu and former Managing Director of Webster Ltd. Mr Woolley has extensive experience in management, business recovery and a professional background in financial services. He is currently Chair of Tasmanian Pure Foods Ltd and Tandou Ltd. Joined the Board on 12 December 2005 in a non-executive capacity. Mr Woolley is Chair of the Compliance Committee.
Robert John Pearce	(BA, DipEd, JP). Executive Director, Forest Industries Federation of WA. Joined the Board on 31 October 2006 in a non-executive capacity. Mr Pearce is a member of the Communications Committee.
Lyndall Maree Bull	(BForSci (Hons), BSc, PhD, MAICD). Lecturer and National Convenor National Forestry Masters Program, Australian National University. Joined the Board on 5 November 2008 in a non-executive capacity. Dr Bull is a member of the Compliance Committee.
Geoffrey Victor Herbert Wilson	(BSc, MSc, DSc, PhD, FTSE, FAIP, FAIM, MAICD, AM). Member of the Board of the Australian Maritime College (University of Tasmania) and Chair of the Board of AMC Search. Joined the Board on 28 April 2009.

The above named directors held office during the whole of the financial year.

Company Secretary

Corinne Elizabeth Hamilton (BSc(Hons), PhD, MPA, ASA). Currently Business Manager of CRC Forestry Ltd. Dr Hamilton is a member of the Management Committee.

Principal activities

CRC Forestry Limited is a company limited by guarantee (the amount of each members guarantee is \$10) incorporated on 30 June 2005 to manage the CRC for Forestry, a seven-year forestry research organisation established under the Commonwealth Government's Cooperative Research Centre Programme. The principal activities of the CRC are sustainable forest landscape research in four main areas –

- Managing and Monitoring for Growth and Health – improved ability to select planting sites and manage for increased profitability of plantation investments, through higher yields and lower costs of production.
- High-Value Wood Resources – increased use of planting stock with improved genetic potential, managed to optimise production of high value wood for fibre and solid wood markets.
- Harvesting and Operations – adoption of harvesting and logistical practices that reduce delivered wood costs, contributing to industry profitability, while maintaining conformity with codes of practice and certification standards.
- Trees in the Landscape – improved security of access to land and forest resources for the forest industry, sustaining levels of investment in the establishment of new plantations, through demonstrated ability to manage in an environmentally and socially sustainable manner.

Review of operations

Comparative figures are available this year and show that expenditure has remained relatively consistent this year as the majority of research projects are now on track and continue to meet their milestones, although income has decreased due to reduced payments from the Commonwealth. The major sources of funding are the Commonwealth Government's CRC Programme and the Participants in the CRC for Forestry.

Changes in state of affairs

During the year there was no significant change in the state of affairs of the company other than that referred to in the financial statements or notes thereto.

Subsequent events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the year, that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future years.

Future developments

A significant volume of the company's revenue is via an agreement with the Commonwealth Government to fund the CRC for Forestry for the period 26 October 2005 to 30 June 2012. The company is currently in the process of applying for this funding to be extended from July 2013. However at the date of this financial report, the outcome of this application is unknown.

Disclosure of any other information regarding likely developments in the operations of the company in future years and the expected results of those operations is likely to result in unreasonable prejudice to the company. Accordingly, no other information has been disclosed in this report.

Indemnification of officers and directors

During the year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary and all executive officers of the company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the end of the year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such officer or auditor.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the year and the number of meetings attended by each director (while they were a director or committee member). During the year, 4 Board, 4 Compliance, 4 Communication, and 2 Commercialisation and Intellectual Property committee meetings were held. The Remuneration and Nomination committee did not meet during the year.


Directors	Board of directors		Remuneration and Nomination Committee		Compliance Committee		Communications Committee		Commercialisation Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Anne Katherine Carnell	4	4			4	3	4	4		
Johannes Drielsma	4	4					4	4		
Lyndall Bull	4	3			4	4				
Gary Inions	4	3							2	1
James Reid	4	3							2	2
Robert Woolley	4	3			4	4				
Robert Pearce	4	4					4	3		
Geoffrey Wilson	4	4								

Auditor's independence declaration

The auditor's independence declaration is included on page 6 of the annual report.

Signed in accordance with a resolution of the Board, made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



Anne Katherine Carnell

Chair/Director

Melbourne, 22 September 2011

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

ANZ Centre
Level 9
22 Elizabeth Street
Hobart TAS 7000
GPO Box 777
Hobart TAS 7001 Australia

DX 197
Tel: +61 (0) 3 6237 7000
Fax: +61 (0) 3 6237 7001
www.deloitte.com.au

The Board of Directors
CRC Forestry Limited
Private Bag 12
HOBART TAS 7001

22 September 2011

Dear Board Members

CRC Forestry Limited

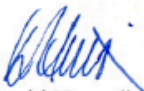
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of CRC Forestry Limited.

As lead audit partner for the audit of the financial statements of CRC Forestry Limited for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU


David Harradine
Partner
Chartered Accountants



Deloitte Touche Tohmatsu
ABN 74 490 121 060

ANZ Centre
Level 9
22 Elizabeth Street
Hobart TAS 7000
GPO Box 777
Hobart TAS 7001 Australia

DX 197
Tel: +61 (0) 3 6237 7000
Fax: +61 (0) 3 6237 7001
www.deloitte.com.au

Independent Auditor's Report to the Members of CRC Forestry Limited

We have audited the accompanying financial report of CRC Forestry Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 9 to 26.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we 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 control, relevant to the entity's preparation of the financial report that gives a true and fair view, 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Cooperative Research Centre for Forestry, would be in the same terms if given to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of CRC Forestry Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 9 in the financial report which discloses that the company's ability to continue as a going concern is dependent on its ability to secure funding from the Commonwealth of Australia. Current funding from the Commonwealth of Australia will cease on 30 June 2012. The company intends to apply for further funding commencing 1 July 2013 however the likely outcome of that process is uncertain. This condition, along with other matters as set forth in the Note 9, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

A handwritten signature in blue ink, appearing to read "David Harradine".

David Harradine
Partner
Chartered Accountants
Hobart, 22 September 2011

Directors' declaration

The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company; and
- c) in the directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards, as stated in note 1 to the financial statements.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



Anne Katherine Carnell

Chair/Director

Melbourne, 22 September 2011

□

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenue			
Revenue	2	5,668,918	6,151,356
Other income	2	751,866	388,591
Total Revenue		6,420,784	6,539,947
Expenses			
Research provider expenses		5,024,413	5,172,725
Employee related expenses		689,426	609,439
Depreciation	6	7,044	(1,020)
Rental and maintenance		109,158	105,773
Corporate and other expenses		590,743	653,030
Total Expenses		6,420,784	6,539,947
Profit before income tax		-	-
Income tax expense		-	-
Profit for the year		-	-
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		-	-

Notes to the financial statements are included on pages 14 to 26.

Statement of financial position as at 30 June 2011

	Note	2011 \$	2010 \$
Current assets			
Cash and cash equivalents	11(a)	3,354,715	3,386,670
Trade and other receivables	4	119,869	43,094
Other	5	141,440	32,713
Total current assets		3,616,024	3,462,477
Non-current assets			
Plant and equipment	6	26,709	24,468
Total non-current assets		26,709	24,468
Total assets		3,642,733	3,486,945
Current liabilities			
Trade and other payables	7	425,080	144,148
Other	7 a)	3,217,653	3,342,797
Total current liabilities		3,642,733	3,486,945
Total non-current liabilities		-	-
Total liabilities		3,642,733	3,486,945
Net assets		-	-
Equity			
Reserves		-	-
Retained earnings		-	-
Total equity		-	-

Notes to the financial statements are included on pages 14 to 26.

Statement of cash flows for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Receipts from customers		6,322,221	7,181,844
Payments to suppliers and employees		(6,525,361)	(6,103,499)
Net cash (used in)/ provided by operating activities	11 (c)	(203,140)	1,078,345
Cash flows from investing activities			
Interest received		180,470	137,339
Payment for property, plant and equipment		(9,285)	(2,226)
Proceeds from sale of property, plant and equipment		-	-
Net cash provided by investing activities		171,185	135,113
Cash flows from financing activities			
Net cash provided by financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(31,955)	1,213,458
Cash and cash equivalents at the beginning of the year		3,386,670	2,173,212
Cash and cash equivalents at the end of the year	11(a)	3,354,715	3,386,670

Notes to the financial statements are included on pages 14 to 26.

Statement of changes in equity for the year ended 30 June 2011

	Note	Reserves \$	Retained Earnings \$	Total \$
Balance at 1 July 2009		-	-	-
Total comprehensive income for the year		-	-	-
Balance at 30 June 2010		-	-	-
Total comprehensive income for the year		-	-	-
Balance at 30 June 2011		-	-	-

Notes to the financial statements are included on pages 14 to 26.

Notes to the financial statements for the year ended 30 June 2011

Note	Contents	Note	Contents
1	Summary of accounting policies	9	Economic dependency
2	Profit from operations	10	Segment information
3	Remuneration of auditors	11	Notes to the statement of cash flows
4	Current trade and other receivables	12	Financial instruments
5	Other current assets	13	Key management personnel remuneration
6	Plant and equipment (at cost)	14	Related party transactions
7	Current trade and other payable	15	Additional company information
8	Leases		

1. Summary of accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 22 September 2011.

Adoption of new and revised Accounting Standards

In the current year, the company 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 adoption of these new and revised Standards and Interpretations has resulted in no changes to the company's accounting policies.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Adoption of new and revised Accounting Standards

Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out below.

Standards affecting presentation and disclosure

Amendments to AASB 107 'Statement of Cash Flows'	The amendments (part of AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.
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Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<i>AASB 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards</i>	1 January 2011	30 June 2012
<i>AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9</i>	1 January 2013	30 June 2014
<i>AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'</i>	1 January 2011	30 June 2012
<i>AASB 2010-5 'Amendments to Australian Accounting Standards'</i>	1 January 2011	30 June 2012

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

IAS 19 Employee Benefits (2011)

An amended version of IAS 19 Employee Benefits with revised requirements for pensions and other postretirement benefits, termination benefits and other changes.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

- (a) **Cash and cash equivalents**
Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.
Bank overdrafts are shown within borrowings in current liabilities in the statement of financial performance.

(b) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

(c) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate.

(d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(e) Government grants

Government grants are assistance by the government in the form of transfers of resources to the company in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the company other than the requirement to operate in certain regions or industry sectors.

Government grants relating to income are recognised as income over the periods necessary to match them with the related costs. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the company with no future related costs are recognised as income of the period in which it becomes receivable.

Government grants relating to assets are treated as deferred income and recognised in profit and loss over the expected useful lives of the assets concerned.

(f) **Impairment of assets**

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

At each reporting date, the Company reviews the carrying amounts of its 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, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase).

(g) **Income tax**

Current tax

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

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

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

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 been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the 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 the company intends to settle its current tax assets and liabilities on a net basis.

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, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

In accordance with a Private Tax Ruling issued by the Australian Taxation Office, Commonwealth funding provided to CRC Forestry Limited will be derived for the purposes of section 6-5 of the Income Tax Assessment Act 1997 (C'th) as and when it is expended on permitted activities ("Activities") pursuant to the Commonwealth Agreement dated 26 October 2005. On this basis, and on the basis that other differences arising between taxation and accounting treatments are insignificant, current tax assets (or liabilities) and deferred tax assets (or liabilities) have not been recognised in the financial report.

(h) **Payables**

Trade payables and other accounts payable are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services.

(i) **Plant and equipment**

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- Plant and equipment 3 - 10 years

(j) **Provisions**

Provisions are recognised when the company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain

that recovery will be received and the amount of the receivable can be measured reliably.

(k) Revenue recognition

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(l) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2 Profit from operations

	2011 \$	2010 \$
Revenue		
CRC Programme funds:		
Received during the year (and included on Cash Flow Statement)	3,800,000	4,800,000
Plus amount allocated from deferred government grant (included in Statement of Financial Position)	125,143	(513,506)
	3,925,143	4,286,494
Core Participant funds	1,196,832	1,253,611
Supporting Participant funds	546,943	611,251
	5,668,918	6,151,356
Other Income		
Miscellaneous income	103,727	28,270
Other contracts & agreements	467,669	222,982
Interest income - bank deposits	180,470	137,339
Profit/loss on sale of fixed asset	-	-
Total Other Income	751,866	388,591
Gains/losses and other expenses		
Loss on decommission of asset	-	-
Operating lease expenses	109,158	105,773
Employee benefits expenses		
Post employment benefits	81,025	70,341
Termination benefits	-	-
Other employee benefits	608,401	539,098
	689,426	609,439

3 Remuneration of auditors

	2011	2010
Auditor of the parent entity		
Audit of the financial report	16,559	14,175
Other accounting consultancy	-	11,900
	16,559	26,075

The auditor of CRC Forestry Limited is Deloitte Touche Tohmatsu.

4 Trade and other receivables

Trade receivables (i)	68,188	24,338
Provision for Doubtful Debts	-	(5,088)
	68,188	19,250
Goods and services tax (GST) recoverable	42,139	14,442
Interest receivable	9,542	9,402
Total current receivables	119,869	43,094

(i) The average credit period on sales of goods is 30 days, no interest is charged on trade receivables.

Ageing of past due not impaired

30-60 days	-	-
60-90 days	-	-
90 + days	19,250	24,338

Movement in provision for doubtful debts

Balance at the beginning of the year	(5,088)	(43,725)
Impairment losses recognised on receivable	5,088	38,637
Balance at the end of the year	-	(5,088)

4 Trade and other receivables (continued)

Aging of impaired trade receivables
90 + days

2011 \$	2010 \$
-	-
19,250	24,338
19,250	24,338

5 Other current assets

Advance payments to research providers:
Australian National University
CSIRO
Forestry Tasmania
Murdoch University
Queensland Department of Primary Industry & Fisheries
Southern Cross University
University of Melbourne
University of the Sunshine Coast
University of Tasmania

6,995	(2,824)
59,133	10,338
3,161	-
1,970	9,737
5,209	26,387
5,077	20,029
9,923	(10,322)
-	10,220
49,972	(30,852)
141,440	32,713

6 Plant and equipment (at cost)	2011	2010
	\$	\$
Plant and equipment (at cost)	111,305	102,020
Less accumulated depreciation	(84,596)	(77,552)
Total net book value	26,709	24,468
Reconciliation of net book value		
Balance at beginning of the year	24,468	21,222
Additions	9,285	2,226
Disposals	-	-
Gross balance at end of the year (at cost)	33,753	23,448
Less depreciation	(7,044)	1,020
Net book value at end of the year	26,709	24,468

7 Current trade and other payables		
Trade payables (i)	96,896	109,163
Advances payable	280,902	-
Goods and services tax (GST) payable	5,517	100
Accrued expenses	41,765	34,885
	425,080	144,148

(i) The average credit period on purchases of goods and services from the suppliers is 30 days. No interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, some creditors charge interest on the outstanding balance. The company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

7a) Current non-trade liabilities		
Deferred Government Grant	3,217,653	3,342,797
	3,217,653	3,342,797

8 Leases

Operating leases

Leasing arrangements

CSIRO and the University of Tasmania have entered into a Licence Agreement, the terms of which relate to the site costs for the CRC and the University to occupy a certain number of offices and access laboratory space in the CSIRO's Tasmanian Research Centre, College Road, Sandy Bay, Tasmania. The Licence Agreement can be terminated by either party on giving 12 months notice. As the company is not a signatory to the agreement, no amount has been provided for in the financial statements, however the matter is disclosed here for information of users of this report.

Expected future operating lease payments	2011	2010
	\$	\$
Not longer than 1 year	113,525	110,604
Longer than 1 year and not longer than 5 years	-	114,475
	113,525	225,079

9 Economic dependency

The Company operates as a CRC and current activities will come to an end when the present Agreements with the Commonwealth Government and Industry Partners are completed at 30 June 2012. Funding is in place to cover all the commitments that relate to the present CRC. In the event that the Company does not continue past 30 June 2012 Directors believe that there are sufficient funds to allow for an orderly winding up of the Company and to meet all expected liabilities.

At the date of this report the Company is looking at a number of options that will allow it to continue in the forest research industry, including applying for Commonwealth CRC funding in round 15.

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The ability of the company to continue as a going concern is dependent on its ability to secure appropriate funding to enable it to continue its operations.

At the date of this report, the Directors believe the company will be able to continue as a going concern. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amount and classification of liabilities that might be necessary should the company not continue as a going concern.

10 Segment information

CRC Forestry Limited operates in the forest research industry in Australia.

11 Notes to the statement of cash flows

	2011 \$	2010 \$
(a) Reconciliation of cash and cash equivalents		
For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents	1,266,395	554,354
At call deposit account	2,088,320	2,832,316
	3,354,715	3,386,670
(b) Financing facilities		
Mastercard facility – (available and unused)	60,000	60,000
(c) Reconciliation of profit for the year to net cash flows from operating activities		
Profit for the year	-	-
Gain on sale of non-current assets	-	-
Depreciation and amortisation of non-current assets	7,044	(1,020)
Decommission of asset	-	-
Interest income received and receivable	(180,470)	(137,339)
(Increase)/decrease in assets:		
Current receivables	(76,775)	218,651
Other current assets	(108,727)	526,730
Increase/(decrease) in liabilities:		
Current payables	280,932	(27,764)
Other current liabilities	(125,144)	513,506
Non-current provisions	-	(14,419)
Net cash from operating activities	(203,140)	1,078,345

12 Financial instruments

(a) Financial risk management objectives

The Compliance Committee manages the financial risks relating to the operations of the company.

The company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is not approved by the board of directors. The company manages its capital to ensure that it continues as a going concern.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(c) Fair value of financial instruments

Directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised costs in the financial statements approximates their fair value.

(d) Interest rate risk management

Maturity profile of financial instruments

The following table details the Company's expected maturity for its non-derivative financial assets and remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets and undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted average effective interest rate	Variable interest rate Less than one year	Fixed maturity dates					Total
			Less than 1 month	1-3 months	3-12 months	1-2 years	2+ years	
2011	%	\$	\$	\$	\$	\$	\$	\$
Financial Assets:								
<i>Cash and cash equivalents</i>								
Cash at bank and on hand		141,537						141,537
At call term deposit	4.65	1,124,858						1,124,858
Investment (09/08/11)	5.60			1,088,320				1,088,320
Investment (22/08/11)	5.70			1,000,000				1,000,000
Sub Total								3,354,715
<i>Loans and receivables</i>								
Trade receivables	n/a		68,188					68,188
Other receivables	n/a		51,681					51,681
Sub Total			119,869					119,869
Total		1,266,395	119,869	2,088,320				3,474,584
Financial liabilities:								
<i>At amortised cost</i>								
Trade payables	n/a		96,896					96,896
Other payables	n/a		47,282					47,282
Total			144,178					144,178

	Weighted average effective interest rate	Variable interest rate Less than one year	Fixed maturity dates					Non-interest bearing	Total
			Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years		
2010	%	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets:									
<i>Cash and cash equivalents</i>									
Cash at bank and on hand		41,625							41,625
At call term deposit	4.40	512,729							512,729
Investment (Jul 10)	4.70		800,000						800,000
Investment (Oct 10)	5.40		1,532,316						1,532,316
Investment - CBA - (Sept 10)	5.76		500,000						500,000
Sub Total									3,386,670
<i>Loans and receivables</i>									
Trade receivables	n/a							19,250	19,250
Other receivables	n/a							23,844	23,844
Sub Total								43,094	43,094
Total		554,354	2,832,316					43,094	3,429,764
Financial liabilities:									
<i>At amortised cost</i>									
Trade payables	n/a							109,163	109,163
Other payables	n/a							34,985	34,985
Total								144,148	144,148

(e) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The company exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Compliance Committee annually. The company measures credit risk on a fair value basis.

Trade accounts receivable consist of a small number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The company does not have any significant credit risk exposure to any single counterparty or any company of counterparties having similar characteristics.

13 Key management personnel remuneration

	2011	2010
	\$	\$
Short-term employee benefits	288,499	259,267
Post-employment benefits	43,790	44,075
Other long-term employee benefits	-	-
Termination benefits	-	-
	332,289	303,342

14 Related party transactions

During the financial year there were no related party transactions undertaken by the company.

15 Additional company information

CRC Forestry Limited is a company limited by guarantee (the amount of the members' guarantee is \$10), incorporated and operating in Australia. The company was incorporated on 30 June 2005, comparative information from the 2010 financial year is presented in this report.

Registered office

CSIRO Tasmanian Research Centre, College Road, Sandy Bay, Tasmania, Australia, 7005

Principal place of business

CSIRO Tasmanian Research Centre, College Road, Sandy Bay, Tasmania, Australia, 7005