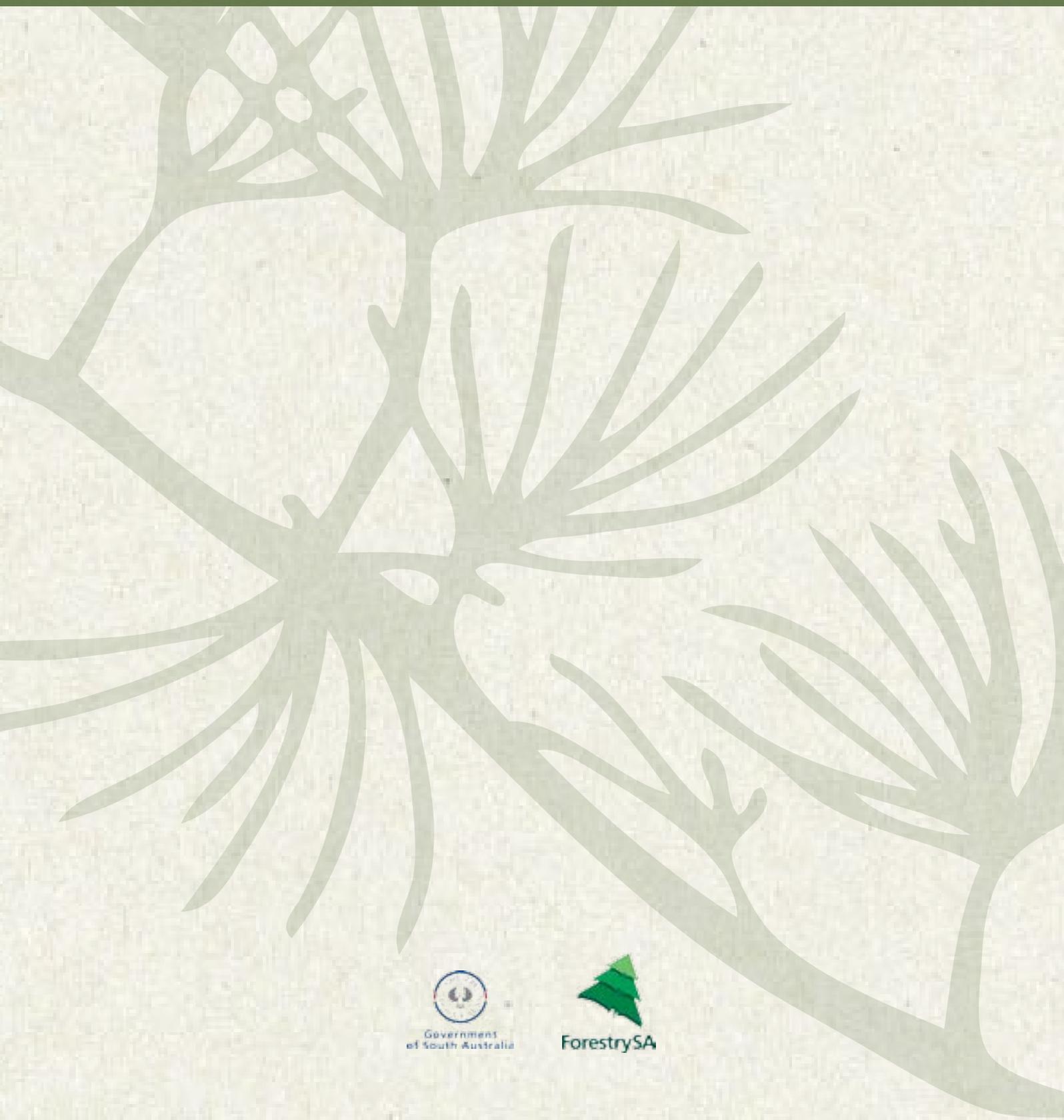


ForestrySA

ANNUAL REPORT 2013-14



About ForestrySA

ForestrySA manages more than 95,000 hectares of primarily softwood plantation in the Green Triangle and Ranges regions of South Australia.

This valuable timber resource is managed on behalf of plantation owner OneFortyOne Plantations Pty Ltd in the Green Triangle and the South Australian Government in the Mount Lofty Ranges and Mid North.

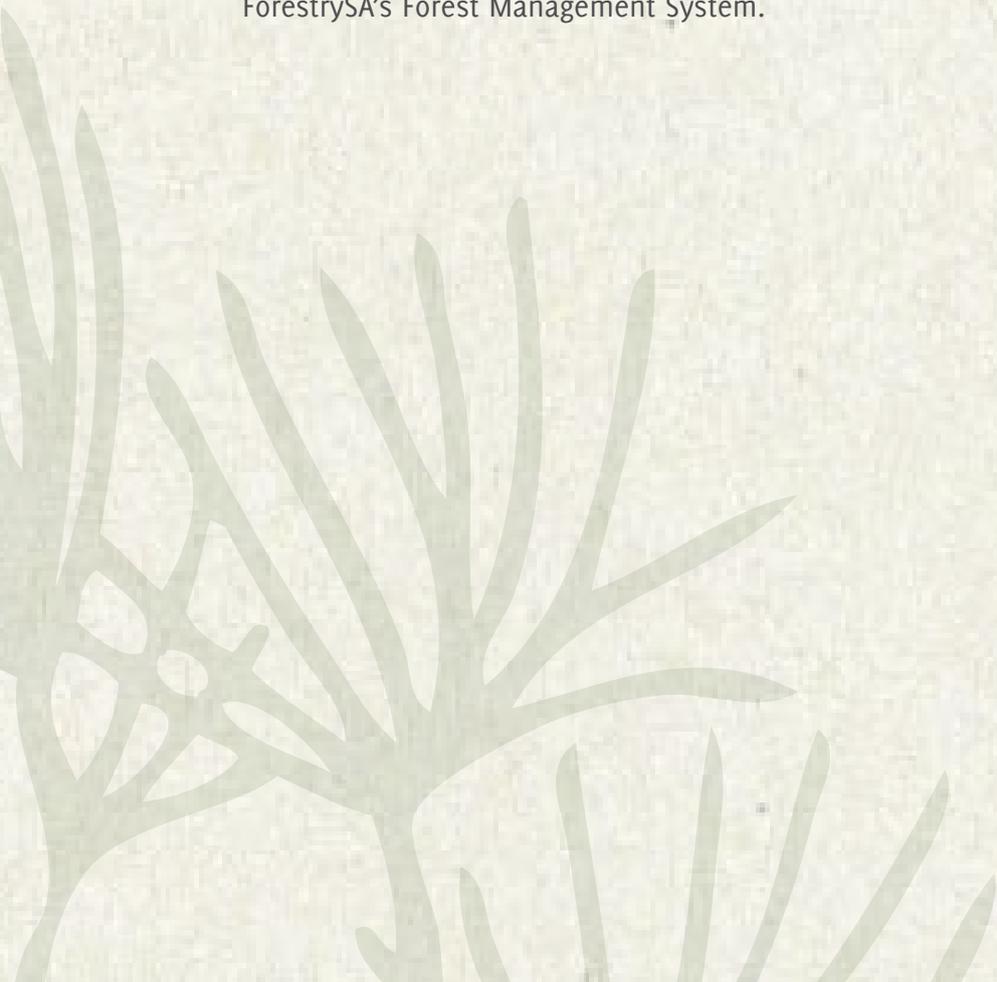
In line with its role as a commercial forest manager, ForestrySA's main focus is the production of log and chip, which is used to produce sawn timber, pulp, paper and posts.

ForestrySA also manages some 23,000 hectares of Native Forest Reserves across South Australia for conservation. No logging or commercial timber production is undertaken in these forest reserves.

These forest areas, along with others located within commercial plantations, are widely used and valued by the community for recreational activities such as hiking, horse riding, camping and large-scale events such as music festivals and car rallies.

ForestrySA is committed to the responsible and sound environmental management of plantation and native forest and maintains a Forest Management System certified to the internationally recognised Australian Forestry Standard (AS 4708).

Both the Green Triangle and Mount Lofty Ranges are certified to the AFS standard, while the Mid North forest is not, but continues to be managed in accordance with ForestrySA's Forest Management System.



CONTENTS

	PAGE
About ForestrySA	
Contents	
Tables and figures	
Chairman's report	1
Acting Chief Executive's report	2
South Australian Forestry Corporation Board and Governance	3
Executive structure	5
Total log product	6
Plantation management	6
Forest statistics	7
Plantation resource planning	7
Forest fire protection	8
Forest research	8
Forest health	8
Environment and community highlights	9
Sponsorship and major community events	9
Community forestry	10
Statement of Comprehensive Income	11
Statement of Financial Position	12
Statement of Cashflows	13
Statement of Changes in Equity	14
Notes to the Financial Statements	15 - 46
Certification of the Financial Statements	47
Independent Audit Report	48 - 49
Statutory Information: Contents	50 - 58
Glossary	59

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South Australian Forestry Corporation 2014

ForestrySA Corporate Office

152 Jubilee Highway East
Mount Gambier, South Australia, 5290

Phone +61 8 8724 2888

Fax +61 8 8724 2870

www.forestrysa.com.au



TABLES AND FIGURES

TABLE	PAGE
1. Board meeting attendance	4
2. Audit and Risk Committee meetings	4
3. Total log product	6
4. Forest statistics	7
5. Fires attended 2013-14	8
6. Environment and community highlights	9
7. Sponsorship and major community events	9
8. Community forestry	10
9. Statement of Comprehensive Income	11
10. Statement of Financial Position	12
11. Statement of Cashflows	13
12. Statement of Changes in Equity	14
13. Depreciation of assets	20
14. Revenue, other income and expenses	22
15. Employee benefits	24
16. Auditors' remuneration	25
17. Cash and cash equivalents	26
18. Receivable	27
19. Inventories	27
20. Assets classified as held for sale	28
21. Standing timber	28
22. Property, plant and equipment	29
23. Fair value measurement	30
24. Intangible assets	33
25. Payees	34
26. Employee benefits	34
27. Deferred income	35
28. Other provisions	36
29. Segment information	37
30. Commitments and contingencies	39
31. Executive disclosures	40
32. Transactions with SA Government	41
33. Directors and related party disclosures	43
34. Financial instruments	44
35. Statutory information: Contents	50

TABLE	PAGE
36. ForestrySA and South Australia's Strategic Plan	51
37. Consultants	51
38. Employee numbers, gender and status	52
39. Overseas travel	52
40. Executives by gender, classification and status	53
41. Workforce diversity	53
42. Employees by age bracket, by gender	53
43. Cultural and linguistic diversity	53
44. Employees with ongoing disabilities	54
45. Flexible working arrangements	54
46. Leave management	54
47. Performance development	54
48. Accredited training packages	55
49. Greening of Government Operations	55
50. Asbestos management	56
51. Training and development expenditure	56
52. Energy Efficiency Action Plan	56
53. Work Health, Safety and Injury Management	57
54. Account Payment Performance	58
55. Glossary	59

CHAIRMAN'S REPORT



Ian Kowalick
Chairman
FORESTRYSA

The 2013-14 year was another challenging one for the business.

The transition of ForestrySA from the owner and operator of the Green Triangle Forests to being the Treasurer's agent for the management of these forests on behalf of new owner OneFortyOne Plantations Pty Ltd, has been a significant change that has required the dedicated input and forbearance of all staff.

As is to be expected, there have been many details to be resolved in meeting the requirements of the Plantation Management Agreement (PMA) on behalf of the South Australian Treasurer.

There has been a need to undertake improvements or changes to many systems and protocols to deliver the information required by the new owner. While there have been many points of detail to resolve about management of the PMA, the most important fact to note is that ForestrySA's services have delivered a good financial outcome for OneFortyOne Plantations.

The change in role in the Green Triangle leaves ForestrySA with the ownership and operation of forests in the Mount Lofty Ranges and the Mid North.

The Mount Lofty Ranges forests are much less profitable than those in the Green Triangle, while the Mid North forests have been very marginal at best. The destruction of most of the Mid North forest at Wirrabara and Bundaleer by bushfires raises difficult policy issues for the State Government.

A commercial forestry company would not replant these Mid North forests because in modern terms, they are located too far north for growth rates sufficient to provide an adequate financial return. This poor growth will be exacerbated by climate change and it is arguable that (as a commercial decision) some parts should never have been planted. As a government trading enterprise, ForestrySA cannot of itself make the decision to replant the forests because it is foreseeable they will make a loss.

The decision on the future of these forests is ultimately a matter for State Government, not ForestrySA.

With the benefit of hindsight, these Mid North forests cannot be commercially viable, but they provide a high level of amenity for local residents and the broader public for recreation and tourism. They are also an important source of timber for a local sawmill that is an important employer. That mill will have to source timber from other places for many years, even if a decision were to be made to replant the forests. This is a matter for Government and difficult trade-offs will be required - there are no easy solutions, which is often a fundamental dilemma of governments' decision making.

The change in ForestrySA's role has required a refocus of management upon strategies to deliver the obligations of the PMA and if possible, to drive sustainable commercial outcomes from ForestrySA's remaining forests. Structural changes in the industry and the way services are delivered has required a reduction in staffing levels and as a consequence 66 staff accepted voluntary separation packages that came into effect in July. These reductions were not undertaken lightly and are a consequence of changes in the way the industry operates and should not be attributed to the sale of Green Triangle forests.

Finally, I would like to thank ForestrySA staff for their dedication and hard work during a difficult transition when many challenges have had to be dealt with.

I would also like to thank my fellow board members who have been very willing participants in analysing and dealing with many changes and in supporting staff. They have all been good people to work with.

ACTING CHIEF EXECUTIVE'S REPORT



Adrian Hatch
Acting Chief Executive
FORESTRYSA

The 2013-14 financial year saw ForestrySA move forward in its new role as a commercial forest manager in the Green Triangle and continue to manage state-owned plantation in the Mount Lofty Ranges and Mid North, and Native Forest Reserves across all regions.

While organisational changes have been challenging, ForestrySA is now in the best position to remain competitive in the modern business climate. It is the support of staff which has made this significant change possible and I thank all staff for their support; I am confident this will continue into ForestrySA's next chapter.

The financial health of the forest industry improved significantly during the year with volume now exceeding pre-Global Financial Crisis (GFC) levels. Domestic timber markets have regained momentum and contributed to excellent financial results, while export programs provided additional sales for surplus fire salvage and pulp log.

The revaluation of land and biological assets (ie. standing timber) in the Ranges Region resulted in a significant write-down of \$29M. This reflects the substantial impact of fire and marginal nature of commercial forestry in the Mid North, as well as the challenges associated with commercial forestry in the Mount Lofty Ranges. These forests offer more than just commercial returns to a wide range of stakeholders and are a valuable asset to South Australia.

In line with this, ForestrySA continued to deliver a range of Community Service Obligation funded programs and services across the Green Triangle, Mount Lofty Ranges and Mid North forests. These include fire protection, native forest management, community forest use and industry research and development.

Fire protection and the delivery of an efficient and effective service remains a primary focus for ForestrySA. This was not without significant challenge during the summer of 2013-14, as forest fires, such as the one at Bangor, burnt through the larger portion of plantation and native forest at Wirrabara. I thank all ForestrySA staff involved in the month-long firefighting campaign and the clean-up operations which have been ongoing.

It is fire events like this which reinforce ForestrySA's ongoing commitment to employ summer personnel and contractors to fill fire roles, staff the Green Triangle Fire Tower Network with experienced fire spotters and ensure preparedness for the threat of bushfire.

ForestrySA manages about 23,000 ha of native vegetation across its estate, receives recreational use by almost 200,000 visitors annually, hosts up to 300 events a year and contributes more than 15,500 volunteer hours through an annual community engagement program.

An annual sponsorship program continues to be administered by ForestrySA, supporting many charitable and industry-related endeavours. The Royal Flying Doctor Service, Ronald McDonald House Adelaide and BlazeAid headed up ForestrySA's 2013-14 sponsorship commitments, while many other more modest sponsorships were secured through community and staff promoted charities as part of our "you care, we care" ethos.

Across all commercial and native forest management operations, ForestrySA remains committed to achieving the best outcomes for its customers and stakeholders.



SOUTH AUSTRALIAN FORESTRY CORPORATION BOARD AND GOVERNANCE

The South Australian Forestry Corporation was established on 1 January 2001 under the *South Australian Forestry Corporation Act 2000*.

The corporation trades as ForestrySA and is subject to the provisions of the *South Australian Public Corporations Act 1993*.

The Charter of the South Australian Forestry Corporation sets out the South Australian Government's priorities and requirements for ForestrySA.

A copy of the charter can be found at www.forestrysa.com.au.

The Board consists of five independent, non-executive Directors including the Chairman.

The current Board will remain in place until 31 December 2014. Kathryn Adams resigned on 1 August 2013 and was replaced by June Roache, who was appointed from 26 September 2013 until 31 December 2014.

BOARD MEMBERS AS AT 30 JUNE 2014



Ian Kowalick
BSc (Hons), BEc (Chairman)

Ian has tertiary qualifications in Engineering, Science and Economics. He has had a diverse employment background in the private and public sectors. Ian is Chair of Arafura Resources Ltd and ForestrySA.



Julie Obst
BA, LLB, MBA

Julie is a business consultant and commercial advisor with extensive management experience in finance and industry. She has served as a director of numerous organisations over many years, and is a Director of COTA (SA) and a Director of Insurance and Membership Services Ltd.



Mark Darras
BA, LLB, LLM, BEd

Mark is a Company Director and Commercial Lawyer, advising companies on infrastructure and commercial matters. Mark is a Special Counsel with Sparke Helmore Lawyers and a Company Director. He is Chairman of the Telecommunications Universal Service Management Agency (TUSMA), Director of Amanie Advisors and also a member of the Takeovers Panel.



Alice McCleary
DUniv, BEc, FCA, FCTA, FAICD

Alice is a professional company director with a background in chartered accounting and corporate taxation. She sits on the board of a number of listed and unlisted companies including Archer Exploration Ltd, private hospital group ACHA, Benefund Ltd and is Chairman of UraniumSA Ltd.



June Roache
BAcc, GradCertMgt(Monash), FAICD, FCPA, FAIM

June is Chief Executive and a Board Member of SA Lotteries and is Vice President of the World Lottery Association and Immediate Past Chairman of the Asia Pacific Lottery Association. She is a Fellow of the Australian Institute of Company Directors, CPA Australia and the Australian Institute of Management. June has previously served on not-for-profit boards and is currently on the board of Business SA (South Australian Employers' Chamber of Commerce and Industry), the SA Health and Medical Research Institute, Essential Services Commission of SA and is Chairman of the Adelaide Football Club's Professional Standards and Integrity Committee.

SOUTH AUSTRALIAN FORESTRY CORPORATION BOARD AND GOVERNANCE CONTINUED

RESPONSIBILITIES OF THE BOARD

The Board has overall responsibility for the corporate governance, direction and performance of ForestrySA. In discharging its responsibilities, the Board has established a Strategic Plan and monitors performance to the plan as well as overseeing the establishment of internal controls and risk management strategies.

The Board approves and monitors performance to the budgets and business strategies prepared by management. It also provides leadership and support to the Chief Executive in exercise of general management functions.

The Board is committed to the principles of corporate governance to high and ethical business standards.

The Board delegates to the Chief Executive, responsibility for implementing the Strategic Plan, for the day to day management of ForestrySA and to ensure management and employees adopt high ethical standards in all aspects of ForestrySA business.

BOARD MEETINGS

Board meeting attendance

Board Members July 2013 – June 2014	Meetings attended	Eligible for attendance
Ian Kowalick (Chairman)	9	9
Julie Obst	7	9
Mark Darras	9	9
Alice McCleary	9	9
Kathryn Adams (resigned 1 August 2013)	1	1
June Roache (appointed 26 September 2013)	6	6

Table #1 - Board meeting attendance

BUSINESS SUSTAINABILITY

The Board is committed to the long term sustainability of ForestrySA's business activities, operations and renewable forest resources to optimise the economic, environmental and social benefits to all ForestrySA stakeholders, within its legislative parameters.

The Board is committed to the maintenance of ForestrySA's quality, environmental and safety management systems and to the retention of certification to the Australian Forestry Standard AS 4708 in the Green Triangle and Mount Lofty Ranges.

AUDIT AND RISK COMMITTEE

The South Australian Forestry Corporation Audit and Risk Committee was established to assist the Board.

This committee is maintained by the Board as a commitment to sound corporate governance, and to comply with the requirements of the *Public Corporations Act 1993*. The committee operates under Terms of Reference approved by the Board.

The Audit and Risk Committee conducts an assessment of systems and practices to facilitate the development and maintenance of effective internal control, continuous improvement and risk management.

The Board has engaged Ernst and Young to provide an internal audit function and to assist the Audit and Risk Committee and management in providing independent advice on ForestrySA's business processes, internal controls and risk management.

In addition, the Audit and Risk Committee has the responsibility to review ForestrySA's annual financial statements to ensure that the statements represent a fair and true view of the affairs of ForestrySA consistent with the requirements of accounting standards and statutory reporting requirements and to provide the Board with assurance of the reliability of financial information and financial reports.

The committee also liaises with Auditor General's staff regarding the external audit program and the resolution of matters arising from annual and periodic audits.

Audit and Risk Committee meeting attendance

Members July 2013 – June 2014	Meetings attended	Eligible for
Alice McCleary (Chair)	6	6
Ian Kowalick	6	6
Mark Darras	6	6
Julie Obst	5	6
June Roach (appointed 30 October 2013)	2	4

Table #2 - Audit and Risk Committee meeting attendance

EXECUTIVE STRUCTURE AS AT 30 JUNE 2014



Adrian Hatch
Dip Forestry, BSc Forestry

Acting Chief Executive

- Strategic planning
- Communication and representation
- Human resources
- Records



Greg Saunder
BSc Forestry, Grad Dip GIS and Remote Sensing, Grad Dip Business Admin

General Manager Operations

- Establishment
- Silviculture
- Fire management
- Conservation and recreation
- Business Assurance



Jerome Coleman
CPA, BComm, MBA

Chief Financial Officer

- Accounting
- Finance
- Information systems
- Resource planning
- Ongoing management
- Company Secretary
- Geographical Information Systems



Jim O'Hehir
BSc Forestry, MFSc, PhD

General Manager Ranges and Research

- Research
- Operations Mount Lofty Ranges and Mid North



Justin Jagger
Dip Forestry, MBA

General Manager Commercial GT

- Sales Green Triangle
- Harvesting and transport
- Contract management

TOTAL LOG PRODUCT

Product	Mount Lofty Ranges		Mid North	
	2013-14 (m ³)	2012-13 (m ³)	2013-14 (m ³)	2012-13 (m ³)
Sawlog	102,005	59,461	28,800	12,146
Plylog	0	9,413	0	869
Recovery log	30,319	35,228	669	10,980
TOTAL LOG	132,324	104,102	29,469	23,995
Pulpwood	51,135	-	1,622	257
Preservation	7,504	3,201	-	76
TOTAL	58,639	3,201	1,622	333
TOTAL	190,963	107,303	31,091	24,328

Table #3 - Total log product

PLANTATION MANAGEMENT

ForestrySA continues to manage in excess of 95,000 ha of plantation lands, principally *Radiata pine* softwood, on behalf of OneFortyOne Plantations Pty Ltd in the Green Triangle and South Australian Government in the Mount Lofty Ranges and Mid North.

A total of 423 ha of pine was planted in the Mount Lofty Ranges and Mid North regions during 2013.

South Australia received below average rainfall throughout 2013 combined with higher than normal temperatures. This resulted in the warmest year on record for South Australia which impacted on establishment areas. Insufficiently stocked areas were scheduled for remedial treatment during the 2014 planting season.

The integrated control of noxious weeds across plantation and native forests remains an ongoing program, but continues to be compounded by the introduction of numerous exotic species often as the result of the dumping of garden waste in the forests.

A number of strategies are used to maximise this effort, including the use of biological controls, selective herbicides and manual techniques combined with a monitoring program to assist in focusing future work.

Continued focus of conducting operations through planning and record keeping assisted in ensuring all aspects of the Australian Forestry Standard (AS 4708) are met in the Green Triangle and Mount Lofty Ranges, while protecting indigenous, heritage and biological values across the estate by undertaking appropriate buffering or setbacks.

FOREST STATISTICS

	At 30 June 2014 (ha)	At 30 June 2013 (ha)
Standing plantation area		
Radiata pine	12,093	12,321
Other	1,204	1,177
TOTAL	13,297	13,498
Natural features area		
Proclaimed Native Forest Reserves	16,075	16,005
Natural features	6,897	6,969
TOTAL	22,972	22,974
Owned land area		
Plantation	15,100	15,146
Natural features	22,972	22,974
Non-forest	4,326	4,239
TOTAL	42,398	42,359

Table #4 - Forest statistics

PLANTATION RESOURCE PLANNING

ForestrySA undertook a review of its land titles data base (cadastre titles) in 2013-14 this resulted in 39 ha being added to the total land area. There were minor changes across all land classifications. In addition the Standing Plantation Area reduced marginally year on year 201 ha (1.4%). This increase in fallow area was due to the timing of harvesting and new plantings that occurred in 2013-14.

ForestrySA began a project to introduce a forest valuation method based on discounted cash flows. As part of this project it was decided to strengthen the resource data base for the Mount Lofty Ranges, with 1,600 ha re-inventoried and site quality data captured for 700 ha.

This refreshed database was used to simulate long term log product flows under alternative management scenarios, with the preferred scenario then providing a basis for forest valuation.

Large wildfires in the Mid North prompted large scale damage assessments, followed by studies to assess the impact of fire losses on the long term viability of the Mid North resource as a supplier of log to the local industry.

ForestrySA has remained active in the field of LiDAR based forest assessment. For the first time ForestrySA provided LiDAR based inventory services for a blue gum plantation grower. The delivered end-products included conventional volume statistics as well as maps showing the distribution of wood volume across plantations, now and predicted five years into the future.

ForestrySA also continued its involvement in a Forest and Wood Products Australia funded project to develop an airborne LiDAR based pre-harvesting inventory system for softwood growers.

This collaborative project counts Hancock Victoria Plantations, NSW Forest Corporation, Hancock Queensland Plantations, Forest and Wood Products Corporation and Timberland as its industry partners. It is scheduled to finish in October 2014 and has already made solid progress in demonstrating the feasibility of LiDAR based pre-harvesting inventory using plot imputation techniques.

FOREST FIRE PROTECTION

ForestrySA fire crews attended 35 fires for the season, including 12 fires on private land or land managed by other agencies. The number of fires attended was less than half the number attended in 2012-13.

The fire season was dominated by the Bangor fire which was started by a lightning strike on 14 January 2014 and burnt until 14 February when heavy rain fell across the fireground. The fire burnt 35,000 ha of private land, National Park and Forest Reserve, while almost 1,800 ha of the Wirrabara plantation was destroyed.

ForestrySA employees continued to contribute to South Australian fire management through their participation in Level 3 incident management teams. ForestrySA personnel filled these roles during the Rockleigh and Bangor fires in January 2014.

More than 700 ha of native forest was treated by prescribed burns during spring and autumn, as a means of reducing fire hazard and contributing to biodiversity conservation objectives.

ForestrySA continued to contribute to fire management at the national, state and local levels. Participation on the Australasian Fire and Emergency Services Council, Forest Fire Management Group, State Bushfire Coordination Committee, local Bushfire Management Committees and with other forest owners to ensure that ForestrySA operates in coordination with other fire agencies.

Forest region	Fires attended
Green Triangle	15
Mount Lofty Ranges	15
Mid North	4
Incident Management Team (only)	1
TOTAL	35

Table #5 - Fires attended 2013-14

FOREST RESEARCH

Improving the growth, wood quality and health of *Radiata pine* plantations and the performance of subsequent products in service is a key aim of ForestrySA. Research programs are conducted that endeavour to improve the understanding and knowledge that underpins operations that support this aim. This includes ensuring social and environmental performance is maintained at a high level.

Research highlights for 2013-14 include:

- Establishment of genetic performance trials on sites in the Myora and Penola Forests. Control seedlots in these trials will allow comparison with deployment seedlots in other trials established annually since 2007.
- A new set of Australian Plantation Industry Herbicide Research Consortium (APIHRC) trials was established using both *Radiata pine* (South Australian site) and blue gum (western Victorian site). The testing of alternative herbicide prescriptions for plantation establishment and monitoring tree survival and growth in comparison to current practices ensures efficacy of weed control systems.
- Work commenced on determination of an optimal silvicultural regime for *Radiata pine*. With changes in current and future market and investment conditions it is appropriate to consider whether current

silviculture needs to change to ensure maintenance of the high quality of the resource managed by ForestrySA.

- Ongoing support of the young age growth plot system, water monitoring and use by plantations, quality of water in the environment and plantation establishment programs (herbicide, fertiliser, survival, and annual control pollinated family selections).
- Support of several visits to the region – John Dillon Fellows and the European group, FORESTERRA, looking at research practices supporting forestry in Mediterranean climates. Access was provided to a *Pinus halepensis* trial at Bundaleer by an international visitor to the University of Western Sydney.
- Support of an Institute of Foresters Plantation Productivity Symposium held in Mount Gambier.
- Ongoing support of an FWPA project on remote sensing of evapotranspiration in the Green Triangle, due for completion in 2015.
- Initial evaluation of Unmanned Aerial Vehicles and local demonstrations by Australian service providers.

FOREST HEALTH

A healthy forest industry depends on having healthy forests.

The biological control program for the Sirex Woodwasp continues to add value, with Sirex numbers remaining low with little damage in 2013-14.

The annual surveillance program is currently being reviewed to ensure it continues to be delivered in a cost effective and efficient manner, delivering appropriate levels of reporting including trends over time. A small trial testing new male Sirex pheromone lures was conducted as part of a trial conducted in South Australia, Victoria, New South Wales and Queensland.

Good news has followed the completion of the wasp release component of the 2012-13 Monterey Pine Aphid control program. Control agent, the Diaretus wasp, has been found to be widespread in plantations in north-east Victoria and other areas of that state, with a small number in western Victoria.

An initial review has not confirmed its presence in South Australia but regular checks will be maintained. This reinforces the need for a strong focus on building the capacity of ForestrySA employees to recognise and report on forest health issues.

ENVIRONMENT AND COMMUNITY HIGHLIGHTS

Highlights	Indicator	2013-14	2012-13	Measure
Global carbon cycles	Carbon sequestration (compliant Kyoto Forest)	13,356	545,195	Tonnes of carbon
Energy use (Refer to Energy Efficiency Action Plan on page 56 of this report)	Electricity consumption	384,908	463,211	Kwh
	ForestrySA total energy use	20,429	25,875	Gj
	ForestrySA total greenhouse gas emissions	1,174	1,477	Tonnes of CO ₂ e
Water conservation	Area of watercourse and wetland buffer zones	106	97	ha
	EPA notifiable incidents	0	0	Number
Compliance	AS 4708 (Australian Forestry Standard)	Yes - Mount Lofty Ranges	Yes	Certification
	Contributions to programs by volunteer and community participants	15,760 (approx)	35,000 (approx)	Hours
Community engagement	Forest visitors recorded	144,153	188,696	People

Table #6 - Environment and community highlights

SPONSORSHIP AND MAJOR COMMUNITY EVENTS

Recipient	Event / cause
Ronald McDonald House Adelaide	Donation for Room Rescue and Corporate Connection Programs
Royal Flying Doctor Service - Mount Gambier Branch	Donation
BlazeAid	Donation to assist in the rebuilding of fencing lost at Wirrabara following the Bangor Bushfire
Royal Flying Doctor Service - Millicent Branch	Donation
Royal Flying Doctor Service - Jamestown Branch	Donation
Pines Enduro 2013	Permit fees waived and in-kind support for off-road racing event held in Mount Burr Forest
Gottstein Trust	Patron
Timber Communities Australia	Donation
Wirrabara Publican's Pink Golf Day 2013	Donation to Royal Flying Doctor Service fundraiser
Nangwarry Forestry and Logging Museum	Donation
Bike SA	Waiving of permit fees and in-kind support for Kona Dirty Weekend mountain bike event 2013 held at Cudlee Creek, Mount Crawford Forest
Women in Business and Regional Development	Donation to South East organisation
SA Ride for Sick Kids participant	Donation to ForestrySA staff member participating in the Ronald McDonald House Adelaide fundraiser
Riddoch Art Gallery	Sponsorship of Da Vinci Machines exhibition
Myeloma Foundation of Australia	Donation in memory of ForestrySA employee George McEwan
Christmas Party for Special Children 2013	Donation to allow two South East children to attend event at the Adelaide Zoo
AC Care	Donation in support of fundraiser for homeless

Table #7 - Sponsorship and major community events

COMMUNITY FORESTRY

Performance measures	2013-14	2012-13
Forest visitors (recorded)	144,153	188,696
Permits issued	13,700	13,449
Forest events	241	289
Ranger FTE delivered	7	7
Field days, tours and presentations to the public providing information and interpretation of natural history and forest management	5	13
Groups actively engaged	32	40
Community engagement hours recorded	15,760 (approx)	35,000 (approx)
Forest education programs supported	14	8

Table #8 - Community forestry

COMMUNITY SERVICE OBLIGATIONS

As a Government Business Enterprise, ForestrySA is mandated by the Charter of the South Australian Forestry Corporation to undertake a number of specific, non-commercial activities.

ForestrySA receives a Community Service Obligations (CSOs) contribution to fund the delivery of these activities managed through an administrative agreement with PIRSA.

The CSO activities include native forest management, community use of forest reserves, forest industry development and community fire protection.

NATIVE FOREST MANAGEMENT

ForestrySA employees and contractors have continued to undertake works to enhance biodiversity values by undertaking the removal of pest plants and animals from priority sites within the 23,000 ha of native forest managed by ForestrySA.

A wide range of native plants and animals are found within the ForestrySA managed areas of native forest. These reserves contribute significantly to biodiversity conservation in South Australia.

COMMUNITY USE OF FOREST RESERVES

Forest Reserves continue to provide a wide range of recreational opportunities for many people. Camping, horse riding, walking and mountain biking are popular activities.

Updated forest information brochures for the Kuitpo, Bundaleer and Wirrabara Forests were revised and printed during the year.

A series of three motor bike trail rides was instigated during 2013-14.

These low impact trail rides were held in the Mount Crawford, Wirrabara and Second Valley Forests, as a part of the KTM 3 Forest Trail Rides series.

During October 2013, more than 1,200 participants took part in the Trailblazer Challenge, with competitors taking to the walking trails of the Mount Lofty Ranges to complete distances of up to 100km.

FOREST INDUSTRY DEVELOPMENT

ForestrySA undertakes forestry-related research and disseminates information for the benefit South Australia and the forestry industry.

Research projects undertaken in 2013-14 included:

- Maintenance of the Kersbrook arboretum including measurement and analysis of tree improvement field trials.
- Sirex lure testing project in conjunction with the National Sirex Committee.
- Measurement and analysis of Australian Plantation Industry Herbicide Research Consortium trials and establishment of additional herbicide screening trials.

COMMUNITY FIRE PROTECTION

ForestrySA operates seven fire towers in the Green Triangle Region for early fire detection.

During the 2013-14 fire season, the towers were manned on 61 high fire danger days, of which there were a lower number of days this year than average.

Across the state ForestrySA fire crews attended 35 fires for the season, including 12 fires on private land, or land managed by other agencies.

A total of 14 prescribed burns were carried out across 700 ha during spring and autumn.

Prescribed burns reduce the hazard in areas of native forest, help to protect adjoining assets and contribute to biodiversity conservation objectives.

ForestrySA is a member of three Fire Cooperatives – South East, Southern Flinders and Mount Lofty Ranges. The cooperatives were formed in 2009 and are comprised of ForestrySA, CFS, DEWNR and SA Water.

The agencies work together to develop and implement integrated prescribed burning programs, and to deliver integrated bushfire response arrangements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED JUNE 2014

	Note	Year ended 30 June 2014 \$'000	Year ended 30 June 2013 \$'000
Income			
Sales - Timber products		18,867	32,837
Wood sales - back to back		36,694	21,283
Sales - Management services		16,804	9,998
Revenues from SA Government	5(i)	15,117	8,028
Interest	5(ii)	703	1,607
Other income	5(iii)	637	17,837
Total income		88,822	91,590
Expenses			
Employee benefits	7	(22,717)	(16,425)
Contractors		(11,108)	(18,223)
Wood purchases - back to back		(36,694)	(21,283)
Depreciation and amortisation	5(v), 14, 16	(1,765)	(2,105)
Finance costs	5(v)	-	(1,814)
Materials		(1,199)	(4,743)
Equipment and vehicle costs		(2,803)	(3,314)
Council rates		(1,668)	(1,655)
Other expenditure	5(vi)	(10,639)	(8,062)
Net loss from the disposal of non-current assets	5(iv)	(229)	(2,645)
Total expenses		(88,822)	(80,269)
Trading profit before revaluation of standing timber		-	11,321
Net change in value of standing timber	13	(37,297)	(15,365)
Profit/(loss) before income tax equivalent		(37,297)	(4,044)
Income tax equivalent expense	6	-	-
Net profit/(loss) after income tax equivalent	9(ii)	(37,297)	(4,044)
Other comprehensive income			
<i>Items that will not be reclassified to net results</i>			
Land revaluation recorded in asset revaluation surplus	14	(45,213)	-
Total other comprehensive income		(45,213)	-
Total comprehensive result		(82,510)	(4,044)

Table #9 - Statement of comprehensive income

The profit/(loss) after income tax equivalents and total comprehensive result are attributable to the SA Government as owner.

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

STATEMENT OF FINANCIAL POSITION

FOR THE SOUTH AUSTRALIAN FORESTRY CORPORATION AS AT JUNE 2014

	Note	2014 \$'000	2013 \$'000
Current assets			
Cash and cash equivalents	9	27,383	15,366
Receivables	10	10,614	10,836
Inventories	11	1,575	543
Standing timber	13	2,419	8,134
Assets classified as held for sale	12	368	1,077
Total current assets		42,359	35,956
Non-current assets			
Standing timber	13	32,253	63,835
Property, plant and equipment	14	55,548	102,211
Intangible assets	16	530	320
Total non-current assets		88,331	166,366
Total assets		130,690	202,322
Current liabilities			
Payables	17	12,165	6,701
Employee benefits	18	9,544	2,215
Deferred income	19	151	173
Other provisions	20	246	240
Total current liabilities		22,106	9,329
Non-current liabilities			
Payables	17	252	560
Employee benefits	18	1,467	3,033
Deferred income	19	620	679
Other provisions	20	1,019	985
Total non-current liabilities		3,358	5,257
Total liabilities		25,464	14,586
Net assets		105,226	187,736
Equity			
Reserves		62,670	62,670
Retained earnings		42,556	42,556
Total equity		105,226	105,226
The total equity is attributable to the SA Government as owner			
Commitments and contingencies			
Unrecognised contractual commitments	23		
Contingent liabilities and assets	23		

Table #10 - Statement of financial position

STATEMENT OF CASHFLOWS

FOR THE SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED JUNE 2014

	Note	2014 Inflows (Outflows) \$'000	2013 Inflows (Outflows) \$'000
Cash flows from operating activities			
Receipts from customers		72,838	84,458
Payments to suppliers and employees		(81,609)	(72,171)
Finance costs		-	(1,814)
Interest received		687	1,724
Receipts from SA Government		19,987	7,598
GST receipts on sales		6,600	9,461
GST payments on purchases		(5,498)	(5,491)
GST remitted to Australian Taxation Office		(737)	(4,320)
Income tax equivalents paid	6	-	(501)
Net cash flows from operating activities	9 (ii)	12,268	18,944
Cash flows from investing activities			
Purchase of property, timber, plant & equipment		(548)	(861)
Purchase of intangible assets		(294)	(196)
Proceeds from sale of assets		591	267
Net cash flows from investing activities		(251)	(790)
Cash flows from financing activities			
Repayment of borrowings		-	(11,291)
Repayment of equity		-	(4,984)
Dividend paid		-	(29,527)
Net cash flows from financing activities		-	(45,802)
Net increase/(decrease) in cash held		12,017	(27,648)
Cash and cash equivalents at the beginning of the period		15,366	43,014
Cash and cash equivalents at the end of the period	9 (i)	27,383	15,366

Table #11 - Statement of cashflows

STATEMENT OF CHANGES IN EQUITY

FOR THE SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED JUNE 2014

	Contributed capital \$'000	Asset revaluation surplus \$'000	Standing timber reserve \$'000	Fire insurance fund reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2012	4,984	475,230	637,825	18,962	93,239	1,230,240
Profit / (loss) for the period	-	-	-	-	(4,044)	(4,044)
Total comprehensive result for 2012-13	-	-	-	-	(4,044)	(4,044)
Dividend	-	-	-	(18,962)	(10,565)	(29,527)
Repayment of Contributed Capital	(4,984)	-	-	-	-	(4,984)
Distribution to the SA Government as owner	-	(396,864)	(555,468)	-	(51,617)	(1,003,949)
Transfers to/(from) equity	-	-	(15,365)	-	15,365	-
Total change for the period	(4,984)	(396,864)	(570,833)	(18,962)	(50,861)	(1,042,504)
Balance at 30 June 2013	-	78,366	66,992	-	42,378	187,736
Gain / (loss) on revaluation of property, plant and equipment	-	(45,213)	-	-	-	(45,213)
Net income/expense recognised directly in equity	-	(45,213)	-	-	-	(45,213)
Profit / (loss) for the period	-	-	-	-	(37,297)	(37,297)
Total comprehensive result for 2013-14	-	(45,213)	-	-	(37,297)	(82,510)
Transfers to/(from) equity	-	(178)	(37,297)	-	37,475	-
Total change for the period	-	(45,391)	(37,297)	-	178	(82,510)
Balance at 30 June 2014	-	32,975	29,695	-	42,556	105,226

Table #12 - Statement of changes in equity

All changes in equity are attributable to the SA Government as owner.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

1 CORPORATE INFORMATION

Role and function of the South Australian Forestry Corporation

The South Australian Forestry Corporation (ForestrySA) was established under the *South Australian Forestry Corporation Act 2000* on 1 January 2001. ForestrySA is subject to the provisions of the *Public Corporations Act 1993*.

Key responsibilities of ForestrySA are to:

- Manage plantation forests for commercial production in line with best practice standards for forestry operations and environmental management;
- Provide high quality management services to its customers;
- Undertake and where appropriate commercialise forestry related research for the benefit of ForestrySA and the State;
- Maximise the value of ForestrySA;
- Encourage and facilitate regionally based economic activities based on forestry and other industries;
- Support regional forest resource protection initiatives and programs;
- Support the concept of environmental sustainability which assists in the protection of natural assets and market accessibility; and
- Support cooperative research activities within the forestry industry.

In addition to subsidies of its business operations, ForestrySA receives funding from the South Australian (SA) Government for the provision of certain community service obligations (CSOs). These are:

- Community protection (including fire protection)
- Community use of forests; and
- Native forest management.

Forward sale of harvesting rights

At 17 October 2012, the SA Government finalised the forward sale of ForestrySA's harvesting rights in the Green Triangle (GT) region to the Campbell Group based in the United States. OneFortyOne Plantations Pty Ltd (OFO) was then formed in Australia to manage these plantations, leading to significant impacts on ForestrySA business, including:

- Land located in the Green Triangle region is leased by the Treasurer to OFO for commercial forestry operations for a term of 70 years with an option for a further 35 years. The standing timber on this land was sold by the Treasurer to OFO.
- Land, roads and standing timber remaining under the control of ForestrySA are located in the Mount Lofty Ranges and the Mid North of South Australia and a few smaller parcels in the Green Triangle region.
- Since the sale of the Glencoe Nursery to OFO, ForestrySA purchases seedlings from OFO at costs as defined in the Glencoe Nursery Supply Agreement.
- Novation of harvesting and transport contracts in the Green Triangle region from ForestrySA to OFO since 17 October 2012.
- Novation of sales contracts in the Green Triangle region from ForestrySA to OFO since 17 October 2012. A number of customers novated after this date while one contract has not been novated. ForestrySA accounts for unnovated sales contracts as ForestrySA back to back wood sales and wood purchases.

- ForestrySA is an agent for the Treasurer responsible for the Plantation Management Agreement (PMA).
- Under the Memorandum of Administrative Arrangements, ForestrySA is required to perform the obligations of the Manager (Treasurer) in accordance with the PMA.
- Under the PMA, ForestrySA manages silviculture operations for OFO in return for a fee comprising two components:
 - I. Direct charges. While some silviculture expenses are paid directly by OFO, other expenses are incurred and paid by ForestrySA on behalf of OFO. These are recognised as expenses of ForestrySA in the Statement of Comprehensive Income. Expenses that can be recovered from OFO under the PMA are shown as management service fees.
 - II. General Overhead Charges (GOC) are paid by OFO to the Treasurer and passed onto ForestrySA and shown as revenue from Government until the March 2013 quarter. This arrangement changed in the June 2013 quarter and ForestrySA received GOC directly from OFO.
- The operations deed between the Treasurer and OFO requires the performance, among other things, of specified fire management functions. ForestrySA provides these functions to OFO under the PMA.
- ForestrySA will require funding from the SA Government in order to continue its Community Service Obligations activities (particularly fire response) and the performance of its obligations under the PMA as negotiated by the Treasurer as part of the forward sale. The arrangement for the provision of this funding resulted in a trading result of nil in 2013-14 before the revaluation of standing timber.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

ForestrySA has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*. The financial statements are general purpose financial statements, prepared in accordance with applicable Australian Accounting Standards and Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

ForestrySA has applied Australian Accounting Standards that are applicable to for-profit entities, as ForestrySA is a for-profit entity. Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by ForestrySA for the reporting period ending 30 June 2014. These are outlined in Note 2(f).

(b) Basis of preparation

ForestrySA's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets that were valued in accordance with the applicable valuation policy.

The Statement of Cash Flows has been prepared on a cash basis.

The preparation of the financial statements requires the use of certain accounting estimates and management to exercise its judgement in the process of applying ForestrySA's accounting policies. The areas involving a higher degree

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

of judgement, or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes.

The preparation of the financial statements requires compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency, the Accounting Policy Statements require the following note disclosures that have been included in these financial statements:

- i. revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100,000 for separate identification of these items applies. Refer to Note 25.
- ii. expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income);
- iii. employee targeted voluntary separation package information; and
- iv. employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

The financial report has been prepared based on a 12 month operating cycle and presented in Australian currency.

(c) Reporting entity

The financial report covers ForestrySA as an individual reporting entity. It is a statutory authority of the State of South Australia, established pursuant to the *South Australian Forestry Corporation Act 2000*.

ForestrySA does not control any investees, has no joint arrangements and no interests in unconsolidated structured entities.

(d) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where a specific accounting standard or accounting policy statement has required a change.

Where presentation or classification of items in the financial statements have been amended, comparative amounts have been reclassified unless reclassification is impracticable.

The restated comparative amounts do not replace the original financial statements for the preceding period.

(e) Rounding

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

(f) New and revised accounting standards

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective,

have not been adopted by ForestrySA for the period ending 30 June 2014.

ForestrySA has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or its financial statements.

In accordance with the new AASB 13 Fair Value Measurement which became effective for the first time in 2013-14, ForestrySA has reviewed its fair value valuation techniques (both internal estimates and independent valuation appraisal) for non-financial assets to ensure they are consistent with the standard. Previously, ForestrySA has used the cost approach or the market approach to determine fair value. ForestrySA will continue to measure its non-financial assets, except for its standing timber, using either the cost or market approach. Standing timber is valued on an income approach.

The application of AASB 13 has not had a material impact on the fair value measurements. ForestrySA has included additional disclosures that are required to assist users in assessing the valuation techniques and inputs used to ascertain fair value measurements used for asset and liability measurements.

Fair value hierarchy and other information is provided in Notes 13, 14 and 15.

(g) Taxation

ForestrySA is liable for income tax equivalent payments, payroll tax, fringe benefits tax and goods and services taxes, as well as the emergency services levy, land tax and local government rates.

i. Income tax equivalent

ForestrySA is an income tax exempt body. As ForestrySA engages in trading activities in competition with private sector enterprises, a payment in lieu of income tax is paid to the South Australian Government Consolidated Account. The tax calculation method is prescribed by Treasurer's Instruction 22 and the tax equivalent payment is calculated on the accounting profits model.

Under the accounting profits model, no future tax assets or future tax liabilities are recognised except for tax assets or tax liabilities in relation to timing differences in the payment of tax equivalent payments.

ii. Goods and Services Tax (GST)

Income, expenses, liabilities and assets are recognised net of the amount of GST, except where the amount of GST incurred by ForestrySA as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net GST receivable or payable to the Australian Taxation Office has been recognised as a receivable/ payable in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

recoverable from, or payable to, the Australian Taxation Office is classified as part of operating cash flows.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Australian Taxation Office. If GST is not payable to, or recoverable from, the Australian Taxation Office, the commitments and contingencies are disclosed on a gross basis.

(h) Income

Income is recognised in ForestrySA's Statement of Comprehensive Income when and only when the flow of economic benefits has occurred and can be reliably measured.

Income has been classified according to its nature and has not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Revenues from SA Government comprise funding for the:

- operation of the Government radio network and provision of Community Service Obligation activities, including community forestry, community fire protection and forestry industry development. This funding is recognised where there is reasonable assurance that the funding will be received and ForestrySA will comply with all attached conditions;
- purchase of CSO assets. This funding is recognised as a deferred income liability and progressively recognised as income in the Statement of Comprehensive Income on a straight line basis over the expected lives of the related assets;
- accounting losses incurred prior to taking into account the revaluation of standing timber. This funding arrangement was implemented by the SA Government to enable ForestrySA to undertake its operations after the forward sale of ForestrySA's harvesting rights. The arrangement resulted in a trading result of nil for 2013-14 before the revaluation of standing timber. Funding received in excess of the accounting losses is recognised as a payable back to the SA Government.

Revenue from the sale of timber is recognised when there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined and the price is fixed.

Interest revenue is recorded on an accrual basis, with interest calculated on the average daily balance of the account.

The gain or loss on disposal of assets, including revalued assets, is determined as the difference between the book value of the asset at the time of disposal and the proceeds of disposal and is included in the results in the year of disposal. When revalued assets are sold, the revaluation increments are transferred to retained earnings in accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 3.19.

(i) Expenses

Expenses are recognised in ForestrySA's Statement of Comprehensive Income when and only when the flow of economic benefit has occurred and can be reliably measured.

Expenses have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Finance costs are recognised as an expense on an accrual basis.

ForestrySA and the SA Superannuation Board entered into an arrangement at the time of incorporation to allow existing officers and employees of ForestrySA, who were immediately before incorporation of ForestrySA, contributors to the State Superannuation Scheme, to remain contributors under the *Superannuation Act 1988*. The amount charged to the Statement of Comprehensive Income represents the contributions made by ForestrySA to the superannuation plan in respect of current services of current ForestrySA staff, as well as additional contributions to the SA Superannuation Board in relation to the defined benefit funding deficit. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of-government financial statements. Note 23 provides further detail.

(j) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. ForestrySA has a regular operating cycle of 12 months. Standing timber that is expected to be harvested within 12 months after the reporting date has been classified as a current asset, while standing timber expected to be harvested more than 12 months after the reporting date, has been classified as a non-current asset. Other assets and liabilities that are sold, consumed or realised as part of the normal operating cycle - even when they are not expected to be realised within 12 months after the reporting date or are held primarily for the purpose of being traded - have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within twelve months and more than twelve months, ForestrySA has separately disclosed the amounts expected to be recovered or settled after more than twelve months.

(k) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand, and short-term deposits with an original maturity of three months or less that are readily convertible to cash and subject to insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank and deposits at call that are readily convertible to cash and used in the cash management function on a day-to-day basis.

Cash is measured at nominal value.

(l) Receivables

Receivables include trade receivables, GST input tax credits recoverable, prepayments and other revenue accruals. Receivables are recorded at amounts due to ForestrySA, less a provision for doubtful debts.

Trade receivables arise in the normal course of selling goods and services. Trade receivables are due within one month after the issue of an invoice, or if the goods or services

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

have been provided under contractual arrangements. Other debtors arise outside the normal course of selling goods and services to the public.

If payment has not been received within the terms and conditions of the contractual arrangement, ForestrySA is able to charge interest at commercial rates as specified until the whole amount of the debt has been paid.

ForestrySA determines the provision for doubtful debts based on a review of balances within trade receivables that are unlikely to be collected.

(m) Fair Value Measurement

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

ForestrySA classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation.

- Level 1 - traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 - not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 - not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the Board at each reporting date. The Board has endorsed the engagement of external valuers. The valuers engaged are independent experts on the particular valuation task.

Non-financial assets

In determining fair value, ForestrySA has taken into account the characteristics of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use that is physically possible, legally permissible, financially feasible, taking into account restrictions imposed on the use of the land by the various legislation under which ForestrySA operates.

ForestrySA's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. For the biological assets ForestrySA did not identify any factors to suggest an alternative use and therefore fair value measurement was based on current use. For the land assets the Valuer-General considered the highest and best use, corrected for legal and constructive restrictions over the use of the land.

The carrying amounts of non-financial assets with a "fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years" are deemed to approximate fair value.

Refer to Notes 13, 14, and 15 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

(n) Inventories

Inventories are valued at the lower of cost and net realisable value in accordance with AASB 102 *Inventories*.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and those necessary to make the sale.

Inventories of export log are valued on initial recognition at their fair value less costs to sell at point of harvest.

(o) Biological Assets

Biological Assets (Standing timber) are valued under the Net Present Value (NPV) income approach. This is a change from the methodology used for the period ending 30 June 2013 which was the net market approach. This policy is in accordance with the requirements of AASB 141 *Agriculture* and all amounts are calculated in pre-tax dollars. This new income or NPV approach is considered more appropriate for the valuation of standing timber and was the result of a review by an independent expert and is consistent with industry best practice for standing timber valuation. ForestrySA has assessed the highest and best use for the standing timber as the current use which is the sale of saw log and the associated lower value products that are produced as a by-product to this process.

The new methodology has been approved by the Acting Treasurer consistent with *APF III Asset Accounting Framework* APS 3.9.

Under the NPV methodology, valuation changes mainly arise from:

- Changes in timber volume associated with growth and also changes to the overall estate as a result of annual planting and harvesting activity;
- Changes in timber prices;
- Changes in silvicultural costs; and
- Changes in the discount rate used in the discounted cash flow calculation.

Assumptions underpinning the NPV calculation are:

- Forest valuations are based on the expected volumes of merchantable timber that will be realised from existing stands, given current management strategies and timber recovery rates;
- Only the current crop is valued. The cash flow analysis is based on the anticipated timing of the harvest of existing stands, which has been developed in the context of sustained yield management;
- Volume increments/decrements are determined both by periodic re-measurement of forest samples and by modelling growth from the date of the most recent measurement to date of harvest;
- Prices used in the NPV calculation are based on the average prices achieved over the previous year, current year, and next year's budget. The use of prior year averages reduces the impact of significant annual pricing variations;
- Costs used in the NPV calculation are based on current operating costs, adjusted for anticipated increases in operational efficiency over the next few years.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

The NPV approach takes the real cashflows from the sale of standing timber over a single rotation, 35 years. The existing market price for the sales of timber is assumed less reasonable costs to sell the standing timber into the market. ForestrySA has allowed an appropriate amount for the overheads (including fire protection) which has also been included in the cash flows of the valuation.

The new valuation method has a significant impact on the valuation of the standing timber. This is considered appropriate as it reflects a better estimate for the fair value of the standing timber.

The replanting expenses have not been included under the guidance of the accounting standards and the value of land is considered separately. The NPV approach used to value the standing timber does not include a terminal value.

The discount rate used is 7.6% (pre-tax real) which incorporates ForestrySA's assessment of the risk free rate and the risk weighting of forestry. The use of a 'real' discount rate effectively allows for all prices and costs to be expressed in current dollar terms.

The difference between the fair value of the standing timber held at the reporting date and the fair value at the previous reporting date, after allowing for standing timber acquired and purchased standing timber harvested, is recognised in the Statement of Comprehensive Income as the net change in value of standing timber. All forest expenditure is recognised as an expense in the year it is incurred. The change in valuation is an unrealised loss and is disclosed in Note 13. The material realised loss due to fire is disclosed separately in Note 13. The changes due to harvesting, growth, inventory, price and new planting are not disclosed due the change in valuation technique does not allow for them to be calculated separately.

The net change in the value of standing timber is accounted for in the standing timber reserve.

The volume of standing timber is estimated using a model that simulates forest growth. Actual growth will invariably differ from growth predicted by the model resulting in periodic adjustments for these growth variations. The model uses sample inventory data as the base line from which to start growth simulations. Inventory data is continuously being collected from sample inventory plots with the complete forest estate being covered in five yearly intervals. The inventory master database is updated every three to five years and on these occasions the model simulations are repeated. For the Mount Lofty Ranges and Mid North forests, the master database was last updated as at December 2013, affecting the standing timber valuation as at 30 June 2014.

The method used to determine the volume of timber contained in the radiata and non-radiata plantations is "standing volume" (the volume of wood in the stem of trees which is potentially usable) less an allowance for residues incurred under current harvesting practices. In addition certain unsaleable forest products are valued at zero or downgraded to a less valuable saleable forest product in line with current prudent commercial practices. This ensures that the fair value is based upon expected realisable volumes.

There is inherent uncertainty in the standing volume estimate and resultant standing timber valuation. This is endemic to all forest valuations and best practice methodology is used to generate reliable estimates.

(p) Property, plant and equipment

i. Recognition and measurement

Assets are initially recorded at cost plus any incidental costs involved with the acquisition. Where assets are acquired without cash consideration they are recorded at their fair value in the Statement of Financial Position.

ForestrySA individually capitalises all non-current physical assets with a value of \$1,000 or greater and a low value pool is created for assets worth between \$300 and \$1,000. Where an asset comprises significant components with differing useful lives, those components are recorded separately.

Plant and equipment and roads and land improvements are stated at cost less accumulated depreciation and impairment losses.

Buildings and structures are measured at fair value less accumulated depreciation on buildings and structures and impairment losses recognised after the date of the revaluation. Fair value represents the value that is able to be achieved in an active and liquid market. Where an active and liquid market does not exist, the asset will be brought to account at its current written down cost.

Land is measured at fair value using valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. ForestrySA engaged the Valuer-General as an expert valuer to value its land assets.

Where ForestrySA historically applied the current site value for the unimproved land under plantation / structures, no value was applied to land declared native forest reserve, on the assumption that this land's fair value is limited. For 2013-14 ForestrySA has adopted the fair value measurement provided by the expert valuer, irrespective if this land is land declared native forest reserve or not.

ii. Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstance indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use.

An impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

For property, plant and equipment, impairment losses are recognised in the Statement of Comprehensive Income except for re-valued assets where impairment losses are treated as a revaluation decrement to the extent that a revaluation amount exists for the impaired asset.

iii. Non-current assets held for sale

Assets held for sale are separately disclosed and measured at the lower of the carrying amount and fair value, less cost to sell.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

iv. Revaluation

Land has been revalued as at 30 June 2014, while buildings and structures were re-valued as at 30 June 2011, in accordance with *APF III Asset Accounting Framework*. Assets in other asset classes are deemed to have been revalued to their fair values immediately following recognition at cost.

The basis of the revaluation of land in 2012-13 was the current site value of the unimproved land, using statutory values derived from available market evidence around the date of valuation. For 2013-14 the Valuer-General used the market approach under AASB 13 fair value measurement.

In its assessment it uses the asset's highest and best use that is physically possible, legally permissible, financially feasible, taking into account restrictions imposed on the use of the land by the various legislation under which ForestrySA operates. ForestrySA land generally has restrictions on use imposed by the Forestry Act 1950, by statute or regulation, impacting the fair value measurement of the asset. In South Australia the Valuer-General determines the site and capital values on an annual basis as at 1 January each year. These statutory values are derived from available market evidence around the date of valuation, and are considered to provide a suitable basis from which to derive selected values under fair value measurement. Adjustments are then applied to reflect the restrictions on potential highest and best use imposed by legislation associated with the operations of ForestrySA.

In accordance with this policy, land was revalued using valuations provided by the Valuer-General.

In accordance with APF III APS 3.18, ForestrySA has elected to take revaluation adjustments to the asset revaluation surplus on an individual asset basis for all assets excluding land.

At least every five years, an independent valuation appraisal of ForestrySA's buildings and structures will be performed. However, if at any time management considers that the carrying amount of an asset class materially differs from its fair value, then the asset class will be revalued regardless of when the last valuation took place. ForestrySA undertook an independent valuation appraisal of its buildings and structures in June 2011.

Non-current physical assets that are acquired between revaluations and are below the revaluation threshold (fair value at the time of acquisition greater than \$1 million and useful life greater than three years), as per APF III, will be deemed to have been revalued to their fair values immediately following recognition at cost, until revaluation will take place, when they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrement of the same asset, in which case the increase is recognised as income.

Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation

increase for the same asset, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

v. Depreciation and amortisation of non-current assets

All non-current assets having a limited useful life are systematically depreciated or amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets, while depreciation is applied to physical assets such as property, plant and equipment.

The useful lives of all major assets held by ForestrySA are reassessed on an annual basis.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate.

The value of leasehold improvements, included in plant and equipment, is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

Land and assets held for sale or for distribution to the owner are not depreciated.

The depreciation / amortisation for non-current assets is determined as follows:

Class of asset	Depreciation method	Useful life (years)
Buildings and structures	Straight line	25-60
Leasehold improvements	Straight line	life of lease
Roads and land improvements	Straight line	20-25
Plant and equipment	Straight line	3-25

Table #13 - Depreciation of assets

vi. Crown land

The value of Crown land amounts to \$31.8 million (2013: \$77.0 million). ForestrySA is entitled to the value of the Crown land and has the use of the Crown land for forestry purposes. Generally, the issue of title over Crown land is required before the land can be disposed of, however, ForestrySA is exempt from some policies and procedures related to the purchase and disposal of Crown land, as per the Premier and Cabinet Circular 114 - *Government Real Property Management*.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

(q) Intangible assets

Intangible assets include purchased software and development costs for software tools. An intangible asset is an identifiable non-monetary asset, without physical substance. Intangible assets are measured at cost less accumulated amortisation and impairment losses.

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an asset outlined in AASB 138 *Intangible Assets* and when the amount of expenditure is greater than or equal to \$1,000.

All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 *Intangible Assets* are expensed.

Capitalised software is amortised over the useful life of the asset, with a maximum time limit for amortisation of five years using the straight line method. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

(r) Trade and other payables

Payables include creditors, accrued expenses, GST payable, deposits held and employment on-costs.

Payables are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the goods and services have been provided.

Creditors represent the amounts owing for goods and services received prior to, but remaining unpaid, at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of ForestrySA.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received. All amounts are measured at their nominal amount and are normally settled within 30 days after invoice date.

Employment on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave, annual leave and retention leave.

ForestrySA makes contributions to several SA Government and externally managed superannuation schemes. These contributions are treated as an expense when they are incurred. There is no liability for payments to beneficiaries. The only liability outstanding at the end of the reporting period relates to any contributions due but not yet paid.

(s) Employee benefits

Employee benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

No provision has been made for sick leave, as this is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the leave annual entitlement.

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date. The liability for annual leave reflects the value of total annual leave entitlements of all employees as at the reporting date and is measured at the undiscounted amount expected to be paid. The liability for retention leave reflects the value of total retention leave entitlements of all employees as at the reporting date and is measured at the undiscounted amount expected to be paid.

The liability for long service leave is measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with duration that match, as closely as possible, the estimated future cash outflows.

ForestrySA classifies a portion of long service leave provision as current based on its history of settlements.

(t) Leases

ForestrySA has entered into operating leases but has not entered into any finance leases.

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the lease items. Operating lease payments are charged to the Statement of Comprehensive Income on a straight line basis, which is representative of the pattern of benefits derived from the leased assets.

(u) Insurance

ForestrySA has arranged, through the SA Government Captive Insurance Corporation (SAICORP), to insure all its major property and liability risks. The excess payable under this arrangement is \$250,000 from an event or occurrence covered by the agreement.

ForestrySA is self-insured for major fire losses of the forest. See Note 2 (x). In addition, ForestrySA is self-insured for workers compensation.

(v) Provisions

ForestrySA self-insures its workers compensation obligations. The workers compensation provision is based on an actuarial assessment of estimated existing and potential unsettled workers compensation claims provided by the Public Sector Workforce Relations Division of the Department of the Premier and Cabinet.

(w) Contributed equity

Contributions made by the SA Government through its role as owner of the ForestrySA, which increase the net assets of the entity, are treated as contributions of equity.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

(x) Fire Insurance Fund and reserve

Cabinet approved ForestrySA to self-insure for the risk associated with major forest fire losses from 1 October 2004 and ForestrySA set up a fund on this date.

During the 2012-13 financial year, the Fire Insurance Fund was returned to the owner of ForestrySA by way of a special dividend. As a result, any loss due to fire may require a contribution from the owner to fund rehabilitation.

(y) Unrecognised contractual commitments and contingent assets and liabilities

Commitments include operating and outsourcing arrangements arising from contractual sources and are disclosed at their nominal value.

Contingent assets and liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, measured at nominal value.

3 FINANCIAL RISK MANAGEMENT

ForestrySA has significant non-interest bearing assets (receivables) and liabilities (payables) and interest bearing assets (deposits). Exposure to market risk and cash flow interest rate risk is in accordance with the risk management policies and procedures approved by the ForestrySA Board.

The nature and location of ForestrySA's forestry operations cause concentration of credit risk in relation to trade receivables, as 86% of the value of transactions for the financial year were transactions with the four largest of ForestrySA's customers (2013: 80% for the six largest).

As part of its financial risk management policies, ForestrySA manages and monitors log supply commitments to ensure the commitments are within the long term forest yield forecasts.

4 SEGMENT INFORMATION

ForestrySA has provided segment information in Note 22 to the accounts.

5 REVENUE, OTHER INCOME AND EXPENSES

(i) Revenues from SA Government

	Note	2014 \$'000	2013 \$'000
Community Service Obligation funding	1	3,182	3,093
Other revenues from SA Government ¹		11,533	4,537
Government Radio Network funding		374	369
Deferred revenues from SA Government		28	29
Revenues from SA Government	2(h)	15,117	8,028

¹ Includes recovery of \$8.977 million from the Department of Treasury and Finance related to TVSP, see note 7.

(ii) Interest received or receivable

	Note	2014 \$'000	2013 \$'000
Interest received or receivable related to cash balances		466	1,444
Interest received or receivable related to trade receivables		237	163
Interest revenue		703	1,607

(iii) Other income

	Note	2014 \$'000	2013 \$'000
Contract settlement		-	15,411
Other revenue from non SA Government entities		637	2,426
Other income		637	17,837

Table #14 - Revenue, other income and expenses

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

(iv) Net gain/(loss) from disposal of assets

	Note	2014 \$'000	2013 \$'000
Land and buildings			
Net proceeds from disposal		(11)	(2)
Less net book value of assets disposed	14	(33)	(438)
Net (loss) from disposal of land and buildings		(44)	(440)
Plant and equipment			
Net proceeds from disposal		98	269
Less net book value of assets disposed	14	(47)	(2,474)
Net gain / (loss) from disposal of plant and equipment		51	(2,205)
Assets classified as held for sale			
Net proceeds from disposal		642	-
Less net book value of assets disposed		(878)	-
Net (loss) from disposal of assets held for sale		(236)	-
Total assets			
Net proceeds from disposal		729	267
Less net book value of assets disposed		(958)	(2,912)
Net (loss) from disposal of total assets		(229)	(2,645)

(v) Charging as expenses

	Note	2014 \$'000	2013 \$'000
Harvesting & transport costs		7,051	12,275
Interest and guarantee fee paid or payable ¹		-	1,814
Depreciation of non-current assets	14	1,682	1,949
Amortisation	16	83	156
Rental expense on property operating leases		22	43
Consultants ²		90	55

¹ to/from SA Government entities ² includes payments to four (2013: one) consultant

Table #14 - Revenue, other income and expenses cont

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

(vi) Other expenditure

	Note	2014 \$'000	2013 \$'000
Net gain from disposal of current assets		-	1,104
Contract settlement		-	3,144
Doubtful debt provision / write down		111	1,297
Export - Shipping		4,057	-
Export - Marketing & other		2,540	-
Other		3,931	2,517
		10,639	8,062

Table #16 - Revenue, other income & expenses cont

6 INCOME TAX EQUIVALENT

ForestrySA uses the Accounting Profits Model to calculate the income tax equivalent payment, in accordance with Treasurer's Instruction 22 Tax Equivalent Payments. Under the Accounting Profits Model, the rate of company income tax is applied to the audited accounting profit. The accounting profit is the net result from operations determined in accordance with AASB 101 Presentation of Financial Statements.

Income tax equivalent

Accounting for income tax for the 2014 financial year is based on the tax equivalent calculations under the Accounting Profits Model prescribed in the State Tax Equivalent Regime (STER) (see note 2). As ForestrySA does not report a trading profit the STER does not apply and no deferred tax asset is generated.

The Treasurer has provided ForestrySA with written approval to exclude gains and losses relating to standing timber revaluations from the accounting profit before ForestrySA calculates its income tax equivalent payment.

The contributions to the fire insurance fund, which were nil in 2014 (2013: \$35,000) are treated as expenses for tax equivalent purposes.

The income tax equivalent expense was nil for the reporting period (2013: nil)

7 EMPLOYEE BENEFITS

	2014 \$'000	2013 \$'000
Salaries and wages	12,156	12,435
Long service leave	(144)	269
Skills and experience retention leave	39	84
Annual leave	925	1,015
Employment on-costs - superannuation	1,851	1,877
Targeted Voluntary Separation Packages	7,087	-
Employment on-costs - other	803	745
	22,717	16,425
Targeted Voluntary Separation Packages (TVSPs)		
Amount paid or payable during the reporting period to separated employees:		
TVSPs	7,087	-
Annual leave and long service leave paid or payable to those employees	1,852	-
Retention leave paid or payable to those employees	38	-
Recovery from the Department of Treasury and Finance related to TVSP	(8,977)	-
Net cost to ForestrySA	-	-

The number of employees who received or are entitled to receive TVSPs during the reporting period was 66 (2013:0).

Table #15 - Employee benefits

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

7 EMPLOYEE BENEFITS CONT.

	2014 number	2013 number
Compensation of employees whose income was over the base executive remuneration level		
The number of employees whose income, non TVSP, was within the following bands:		
\$141,500 - \$151,499	-	2
\$151,500 - \$161,499	1	2
\$161,500 - \$171,499	2	1
\$171,500 - \$181,499	2	-
\$181,500 - \$191,499	-	1
\$191,500 - \$201,499	1	-
\$221,500 - \$231,499	-	1
\$231,500 - \$241,499	1	-
\$271,500 - \$281,499	-	1
\$281,500 - \$291,499	1	-
Total number of employees	8	8

The table includes all employees who received or are entitled to receive remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, fringe benefit tax and other salary sacrifice benefits. The total remuneration received by these employees for the year was \$1.6 million (2013: \$1.5 million).

The number of employees whose income, including TVSP, was within the following bands:		
\$301,500 - \$311,499	1	-
\$311,500 - \$321,499	1	-
\$351,500 - \$361,499	2	-
Total number of employees	4	-

The table includes TVSPs paid where the employee's normal remuneration exceeds the base executive remuneration level threshold. The total remuneration received by these employees for the year was \$1.3 million (2013: nil).

Table #15 - Employee benefits cont

8 AUDITORS' REMUNERATION

	2014 \$'000	2013 \$'000
Audit fees paid / payable to the Auditor-General's Department relating to the audit of the financial statements.	190	124
	190	124

Table #16 - Auditors' remuneration

Other services

No other services were provided by the Auditor-General's Department during 2013-14.

Auditor's remuneration costs recognised in the Statement of Comprehensive Income under 'Other expenses' includes an additional \$31,000 relating to 2012-13 audit services provided by the Auditor-General's Department.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

9 CASH AND CASH EQUIVALENTS

	2014 \$'000	2013 \$'000
Cash	2	2
Deposits	19,568	5,414
Cash Management Fund with SAFA	7,813	9,950
	27,383	15,366

Cash flows reconciliation

(i) Reconciliation of cash and cash equivalents at the end of the reporting period

	2014 \$'000	2013 \$'000
Cash and cash equivalents as per statement of financial position	27,383	15,366
Cash and cash equivalents as per statement of cash flows	27,383	15,366

(ii) Reconciliation of net profit/(loss) after income tax equivalent payments to net cash flow from operating activities

	2014 \$'000	2013 \$'000
Net profit/(loss) after income tax equivalents	(37,297)	(4,044)
Other reconciling movements		
Net change in value of standing timber - other	37,297	15,365
Impairment of assets held for sale	57	-
Depreciation and amortisation	1,765	2,106
Other asset transactions	-	(23)
Loss on disposal of assets	229	2,594
	39,348	20,042
Changes in operating assets and liabilities		
(Increase)/Decrease in receivables	370	1,221
(Increase)/Decrease in inventories	(1,032)	1,494
(Decrease)/Increase in payables	5,156	1,156
(Decrease)/Increase in provisions	40	(50)
(Decrease)/Increase in deferred income	(81)	(668)
(Decrease)/Increase in employee benefits	5,764	294
(Decrease)/Increase in tax payable	-	(501)
Net cash flows from changes in operating balances	10,217	2,946
Net cash flows from operating activities	12,268	18,944

Table #17 - Cash and cash equivalents

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

10 RECEIVABLES

	2014 \$'000	2013 \$'000
CURRENT		
Trade receivables	10,477	8,306
Less doubtful debts	(111)	(24)
Other receivables	-	2,259
Accrued revenue	53	43
Prepayments	195	252
	10,614	10,836

Table #18 - Receivables

Receivables are raised for all goods and services provided for which payment has not been received.

Receivables are normally settled within 30 days. Trade receivables and accrued revenues are non-interest bearing until after 30 days. Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

For details of credit and interest rate risks refer to note 28.

As at 30 June 2014 \$1.3 million of trade receivables were overdue (2013: \$2.8 million).

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (i.e. calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired. An allowance for impairment loss has been recognised in 'other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2014 \$'000	2013 \$'000
Carrying amount at the beginning of the period	24	182
Increase in allowance recognised in profit or loss	111	1,297
Amounts written off	(22)	(1,455)
Amounts recovered during the year	(2)	-
Carrying amount at the end of the period	111	24

Table #18 - Receivables cont

11 INVENTORIES

	2014 \$'000	2013 \$'000
CURRENT		
Roading rubble	79	52
Export Log	922	-
Materials and stores	574	491
	1,575	543

Table #19 - Inventories

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

12 ASSETS CLASSIFIED AS HELD FOR SALE

	Note	2014 \$'000	2013 \$'000
Non-current assets classified as held for sale			
Land and buildings, property, plant and equipment		368	1,077
		368	1,077

Table #20 - Assets classified as held for sale

13 STANDING TIMBER

	Note	2014 \$'000	2013 \$'000
Opening balance		71,969	81,362
New plantings		-	(936)
Harvesting		-	(18,252)
Inventory update increase		-	(1,554)
Physical changes (i.e. growth)		-	6,050
Loss due to fire		(8,474)	(2,335)
Price changes		-	(210)
Other Revaluation / Impairment		(28,823)	-
Net change recorded in statement of comprehensive income		(37,297)	(15,365)
Reclassified from held for distribution to owner		-	5,972
Closing balance		34,672	71,969
Unrealised (loss)/gain for the period included in the Statement of Comprehensive Income		(28,823)	4,286

ForestrySA has adopted the Net Present Value of future cash flows related to the current standing timber as a more appropriate valuation technique for valuing standing timber. Last financial year ForestrySA used the Net Market Value valuation technique for valuing the biological assets.

The standing timber comprises the following:

Fair Value			
Standing timber as held to maturity		34,672	71,969
Total fair value		34,672	71,969
CURRENT ASSET			
Current portion of standing timber valuation		2,419	8,134
NON-CURRENT ASSET			
Non-current portion of standing timber valuation		32,253	63,835

Table #21 - Standing timber

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

14 PROPERTY, PLANT AND EQUIPMENT

	Land \$ '000	Buildings and structures \$ '000	Roads and land improvements \$ '000	Plant and equipment \$ '000	Total \$ '000
Year ended 30 June 2013					
As at 1 July 2012, net of accumulated depreciation and impairment	77,344	12,122	2,322	14,729	106,517
Additions / transfers	-	51	281	530	862
Disposals	-	(389)	(49)	(2,474)	(2,912)
Assets reclassified to distribution to owner	(336)	-	29	-	(307)
Depreciation charge for the year	-	(512)	(200)	(1,237)	(1,949)
Net of accumulated depreciation and impairment	77,008	11,272	2,383	11,548	102,211
At 30 June 2013					
Cost or fair value	77,008	12,287	4,371	22,786	116,452
Accumulated depreciation and impairment	-	(1,015)	(1,988)	(11,238)	(14,241)
Net carrying amount	77,008	11,272	2,383	11,548	102,211
Year ended 30 June 2014					
As at 1 July 2013, net of accumulated depreciation and impairment	77,008	11,272	2,383	11,548	102,211
Additions / transfers	-	16	386	136	538
Disposals	-	(33)	-	(47)	(80)
Assets reclassified to assets held for sale	-	-	-	(226)	(226)
Revaluation decrements against reserve	(45,213)	-	-	-	(45,213)
Depreciation charge for the year	-	(509)	(208)	(965)	(1,682)
Net of accumulated depreciation and impairment	31,795	10,746	2,561	10,446	55,548
At 30 June 2014					
Cost or fair value	31,795	12,268	4,757	21,424	70,244
Accumulated depreciation and impairment	-	(1,522)	(2,196)	(10,978)	(14,696)
Net carrying amount	31,795	10,746	2,561	10,446	55,548

Table #22 - Property, plant and equipment

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

14 PROPERTY, PLANT AND EQUIPMENT CONT

Revaluation of land and buildings and structures

ForestrySA used the services of the Valuer General in SA to determine the fair value of its land as at 30 June 2014 and 30 June 2013. The market approach has consistently been the valuation methodology applied. However, for 30 June 2014 the Valuer General's office has, taking into account AASB13, reviewed its statutory valuations as well as included a discount factor related to the restrictions imposed on the use of the land by the various legislation under which ForestrySA operates, to derive the market value for fair value purposes. Land under plantation, under buildings and structures as well as native forest reserve has been valued (see also Note 2 (p)(iv)).

In 2011 ForestrySA engaged Herron Todd White, an accredited independent valuer, to determine the fair value of its buildings and structures. The effective date of the revaluation of the buildings and structures is 30 June 2011. The valuer valued on the basis of the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, assuming the probable use of an asset which is physically possible, appropriately justified, legally permissible, financially feasible and which results in the highest value of the asset valued. The valuation was based on a combination of internal records, specialised knowledge and the acquisition/transfer costs.

Carrying amount of plant and equipment

All items of plant and equipment had a 'fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years', and have not been revalued in accordance with APF III. The carrying value of these items are deemed to approximate fair value. These assets are classified in level 3 as there have been no subsequent adjustments to their value, except for management assumptions about the assets' condition and remaining useful lives.

Impairment

There were no indications of impairment of roads and land improvements and plant and equipment assets at 30 June 2014.

15 FAIR VALUE MEASUREMENT

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. ForestrySA categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement.

Fair value measurements recognised in the balance sheet are categorised into level 3 at 30 June 2014.

ForestrySA had no valuations categorised into levels 1 and 2.

Fair value measurements at 30 June 2014

	Notes	2014 \$ '000
Recurring fair value measurements		
Standing timber	13	34,672
Land	14	31,795
Buildings and structures	14	10,746
Roads and land improvements	14	2,561
Plant and equipment	14	10,446
Total recurring fair value measurements		90,220
Non-recurring fair value measurements		
Assets held for sale	12	368
Total non-recurring fair value measurements		368

Table #23 - Fair value measurement

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

15 FAIR VALUE MEASUREMENT CONT.

Fair value measurements at 30 June 2013

	Notes	2014 \$ '000
Recurring fair value measurements		
Standing timber	13	71,969
Land	14	77,008
Buildings and structures	14	11,272
Roads and land improvements	14	2,383
Plant and equipment	14	11,548
Total recurring fair value measurements		174,180
Non-recurring fair value measurements		
Assets held for sale	12	1,077
Total non-recurring fair value measurements		1,077

Table #23 - Fair value measurement cont

Assets held for sale were revalued as the fair value less costs to sell was lower than carrying amount.

There were no transfers of assets between fair value hierarchy levels in 2014. ForestrySA's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Valuation techniques and inputs

Valuation techniques used to derive level fair values are in Notes 13 and 14.

Although unobservable inputs were used in determining fair value, and are subjective, ForestrySA considers that the valuation assumptions are appropriate and based on sound operational practices. There is inherent uncertainty in the standing timber valuation and is endemic to all forest valuations. A sensitivity analysis has been completed to assess the impact of changes in key assumptions used in the standing timber valuation.

There were changes in the valuation techniques for forest and land.

In the case of forest, ForestrySA changed the valuation technique from a net market value approach to a net present value, or income approach.

In the case of land, ForestrySA has continued to use the valuation provided by the Value General's office. However, taking into account AASB 13 the Valuer General has performed an assessment of the fair value of the land taking into account its restricted use, with forest reserves and native forest reserves all included in the valuation. The Valuer General considered the highest and best use, corrected for legal restrictions over the use of the land (see also Note 2 (p)).

The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3).

	2014 \$ '000	2013 \$ '000
Total valuation gains and losses		
Standing timber	(37,297)	(15,365)
Land	(45,213)	-
Total valuation (loss) for the year	(82,510)	(15,365)

Table #23 - Fair value measurement cont

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

15 FAIR VALUE MEASUREMENT CONT.

Quantitative information about fair value measurement using significant unobservable inputs (level 3)

Description	Valuation technique	Unobservable inputs	Range (weighted average) / Value
Standing Timber	Net Present Value	Discount rate (pre-tax real)	7.60%
		Target clearfell age	34
		Net log revenue / m3 projection	\$0 - \$54.71
		Extractable sawlog averaged at 119,000 m3 / year and pulp wood is exported in five yearly cycles when a commercial quantity can be extracted.	
		Current silvicultural practices	
Land ¹	Market approach	Valuer General's statutory valuation derived from available market evidence.	
		Discount factors for legal restrictions (GT 40%, MLR 70%, MN 65%)	
Buildings and structures	Market approach	External valuation report	
Roads and Improvements	Cost approach	Useful life	20-25 years
Plant and Equipment	Cost approach	Useful life	3-25 years
Assets held for sale	Fair value less costs of disposal	Market assessment	

¹ Fair value of land with restricted use was determined using an adjusted market price of surrounding unrestricted land.

Sensitivity analysis

ForestrySA performed a sensitivity analysis over the biological assets (standing timber) fair value amount:

Description	Low Value	Medium Low	Base Case	Medium High	High Value
Discount rate					
change in % rate in NPV inputs	8.6%	8.1%	7.6%	7.1%	6.6%
Valuation result (\$m)	31.1	32.7	34.5	36.5	38.7
Price Variation					
% change in NPV inputs	-10%	-5%	0%	5%	10%
Valuation result (\$m)	28.9	31.7	34.5	37.4	40.2
Costs					
% change in NPV inputs	10%	5%	0%	-5%	-10%
Valuation result (\$m)	32.3	33.4	34.5	35.7	36.8

Table #23 - Fair value measurement cont

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

15 FAIR VALUE MEASUREMENT CONT.

Reconciliation of fair value measurements - Level 3

	Standing timber	Land	Buildings and structures	Roads and land improvements	Plant and equipment
Opening balance at 1 July 2013	71,969	77,008	11,272	2,383	11,548
Acquisitions	-	-	16	386	136
Transfer into level 3	-	-			
Disposals	-	-	(33)	-	(47)
Assets reclassified to assets held for sale	-	-	-	-	(226)
Total (losses) for the period recognised in net result:					
Revaluation (decrement)	(37,297)	-	-	-	-
Loss on revaluation	-	-	-	-	-
Depreciation	-	-	(509)	(208)	(965)
	(37,297)	-	(509)	(208)	(965)
Total gains / (losses) for the period in other comprehensive income:					
Revaluation increment / (decrement)	-	(45,213)	-	-	-
	-	(45,213)	-	-	-
Closing balance at 30 June 2014	34,672	31,795	10,746	2,561	10,446

Table #23 - Fair value measurement cont

16 INTANGIBLE ASSETS

	2014 \$ '000	2013 \$ '000
COMPUTER SOFTWARE		
As at 1 July, net of accumulated amortisation and impairment	320	288
Additions	294	188
Disposals	(1)	-
Amortisation charge for the year	(83)	(156)
Total computer software, net of accumulated amortisation and impairment	530	320
As at 30 June:		
Cost or fair value	1,962	2,110
Accumulated amortisation and impairment	(1,432)	(1,790)
Net carrying amount	530	320

The intangible assets consist of software for operational systems and water licences.

There were no indications of impairment of intangible assets at 30 June 2014.

Table #24 - Intangible assets

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

17 PAYABLES

	2014 \$ '000	2013 \$ '000
CURRENT		
Trade payables	6,712	6,276
Accrued expenses	5,131	122
Employee benefit on-costs	322	299
Paid parental leave scheme payable	-	4
	12,165	6,701
NON-CURRENT		
Employee benefit on-costs	252	560
	252	560

Table #25 - Payables

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the percentage of the proportion of long service leave taken as leave has remained at the 2013 rate of 40% and the average factor for the calculation of employer superannuation on-cost has remained at 10.3%.

Interest rate and credit risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

Categorisation of financial instruments and risk exposure information - Please refer to Note 28.

18 EMPLOYEE BENEFITS

	2014 \$ '000	2013 \$ '000
CURRENT		
Accrued salaries and wages	(82)	823
Targeted Voluntary Separation Packages	7,087	-
Long service leave	1,789	474
Retention leave	35	70
Banking of time	32	75
Annual leave	683	773
	9,544	2,215
NON-CURRENT		
Long service leave	1,467	3,033
	1,467	3,033

Table #26 - Employee benefits

The total current and non-current employee benefits and employee benefit on-costs for 2014 is \$11.6 million (2013: \$6.1 million). Employee benefit related on-costs are disclosed as payables.

The current Employee Benefits include the payable Targeted Voluntary Separation Packages (TVSPs) and Leave balances payable to ForestrySA employees who were offered and accepted TVSPs at or before year end.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

18 EMPLOYEE BENEFITS CONT.

AASB 119 contains the calculation methodology for the long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a set level of liability for the measurement of long service leave.

AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has decreased from 2013 (3.75%) to 2014 (3.5%).

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4 percent. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

19 DEFERRED INCOME

	Note	2014 \$ '000	2013 \$ '000
CURRENT			
Deferred income		151	173
		151	173
NON-CURRENT			
Deferred income		620	679
		620	679
Movement in deferred income			
Carrying amount at the beginning of the period		852	1,520
Received during the year		153	224
Recognised as income in the Statement of Comprehensive Income		(234)	(892)
Carrying amount at the end of the period		771	852

Table #27 - Deferred income



NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

20 OTHER PROVISIONS

	2014 \$ '000	2013 \$ '000
CURRENT		
Workers compensation	246	240
	246	240
Opening balance	240	262
Payments	(60)	(115)
Increments in provision	66	93
Closing balance	246	240
NON-CURRENT		
Workers compensation	1,019	985
	1,019	985
Movement in other provisions		
Opening balance	985	1,013
Payments	-	-
Increments/(decrements) in provision	34	(28)
Closing balance	1,019	985

Table #28 - Other provisions

The workers compensation provision is recognised to reflect unsettled workers compensation claims based on an actuarial assessment performed by the Public Sector Workforce Relations Division of the Department of the Premier and Cabinet.

21 EQUITY

Equity represents the residual interest in the net assets of ForestrySA. The South Australian Government holds the equity interest in ForestrySA on behalf of the community.

Since 2006 the requirements of the ownership framework for ForestrySA indicate that ForestrySA shall pay an annual contribution to Government consisting of a dividend calculated as 90 percent of after tax profit, adjusted for standing timber revaluation gains and losses and approved contributions to the Fire Insurance Fund, plus an income tax equivalent payment. ForestrySA has not declared any special dividend or other dividend in 2014 (2013: \$29.5 million).

22 SEGMENT INFORMATION

ForestrySA is organised into three regions, the Community Service Obligations and a corporate business unit based on its products and services. The reportable segments are:

- Mount Lofty Ranges (MLR): Including the Mount Lofty Ranges region located activities, including Mt Crawford Forest, Second Valley Forest
- Mid North (MN): Including the Mid North region located activities around Wirrabara and Jamestown.
- Green Triangle (GT): Including the management services for OneFortyOne Plantations Pty Ltd and ForestrySA activities in the GT region of South Australia and Victoria.
- Community Service Obligations (CSO): Including the CSO ForestrySA performs under its charter with the South Australian Government. The CSO activities include community forestry, community fire protection and forestry industry development.
- Corporate: Including Board, Executive, Planning and Development, Forest Management System, Finance, Payroll, Human Resources and Records. The Corporate segment expenses include expenses incurred to manage and operate the MLR, MN and GT regions at a Corporate level.

No operating segments have been aggregated to form the above reportable operating segments. The Board and Executive of ForestrySA monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with profit or loss in the financial statements. ForestrySA has reported segment information consistent with AASB 8 *Operating Segments* which requires an entity to report a measure of profit or loss for each reportable segment. AASB 8 also requires an entity to report a measure of total assets and liabilities for each reportable segment if such amounts are regularly provided to the chief operating decision maker. ForestrySA does not currently report its assets and liabilities per segment in its internal management reporting. Therefore this disclosure has not been made.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

22 SEGMENT INFORMATION CONT.

Year ended 30 June 2014	GT	MLR	MN	CSO	Corporate	Consolidated
Income						
Sales - Timber products	-	17,531	1,336	-	-	18,867
Wood sales - back to back	36,694	-	-	-	-	36,694
Sales - Management services	16,804	-	-	-	-	16,804
CSO revenue	-	-	-	3,182	-	3,182
Government Radio Network funding	-	-	-	-	374	374
Deferred revenues from SA Government	15	6	-	7	-	28
Interest Income	-	237	1	-	465	703
Other income	220	286	48	-	83	637
Total Income	53,733	18,060	1,385	3,189	922	77,289
Expenses						
Employee benefits	(6,297)	(2,000)	(227)	(1,839)	(12354)*	(22,717)
Contractors	(1,573)	(7,242)	(1,105)	(766)	(422)	(11,108)
Wood purchases - back to back	(36,694)	-	-	-	-	(36,694)
Depreciation and amortisation	(1,187)	(344)	(47)	(100)	(87)	(1,765)
Finance costs	-	-	-	-	-	-
Materials	(681)	(387)	(59)	(66)	(6)	(1,199)
Equipment and vehicle costs	(1,802)	(490)	(72)	(414)	(25)	(2,803)
Council rates	(1,408)	(242)	(18)	-	-	(1,668)
Other expenditure	307	(6,184)	(500)	(1,353)	(2,909)	(10,639)
Net profit / (loss) from the disposal of non-current assets	(246)	47	-	(30)	-	(229)
Total Expenses	(49,581)	(16,842)	(2,028)	(4,568)	(15,803)	(88,822)
Segment Profit						
Trading profit before revaluation of standing timber and other revenues from SA Government	4,152	1,128	(643)	(1,379)	(14,881)	(11,533)
Other revenues from SA Government	(4,152)	(1,128)	643	1,379	14,881	11,533
Trading profit before revaluation of standing timber	-	-	-	-	-	-
Net change in value of standing timber	-	(25,828)	(11,469)	-	-	(37,297)
Land revaluation recorded in asset revaluation surplus	3,255	(42,601)	(5,867)	-	-	(45,213)
Total Comprehensive Result	3,255	(68,429)	(17,336)	-	-	(82,510)

* includes \$7,087,000 of termination payments.

Table #29 - Segment information cont.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

22 SEGMENT INFORMATION CONT.

Year ended 30 June 2013	GT	MLR	MN	CSO	Corporate	Consolidated
Income						
Sales - Timber products	24,593	6,898	1,346	-	-	32,837
Wood sales - back to back	21,283	-	-	-	-	21,283
Sales - Management services	9,998	-	-	-	-	9,998
CSO revenue	-	-	-	3,093	-	3,093
Government Radio Network funding	-	-	-	-	369	369
Deferred revenues from SA Government	15	6	-	8	-	29
Interest Income	36	122	6	-	1,443	1,607
Other income	17,338	355	88	-	56	17,837
Total Income before other revenues from SA Government	73,263	7,381	1,440	3,101	1,868	87,053
Expenses						
Employee benefits	(7,179)	(1,827)	(374)	(1,552)	(5,493)	(16,425)
Contractors	(11,444)	(4,484)	(1,158)	(810)	(327)	(18,223)
Wood purchases - back to back	(21,283)	-	-	-	-	(21,283)
Depreciation and amortisation	(1,422)	(333)	(41)	(105)	(204)	(2,105)
Finance costs	-	-	-	-	(1,814)	(1,814)
Materials	(4,159)	(455)	(45)	(81)	(3)	(4,743)
Equipment and vehicle costs	(2,281)	(465)	(141)	(386)	(41)	(3,314)
Council rates	(1,401)	(236)	(18)	-	-	(1,655)
Other expenditure	(2,540)	(290)	1	(1,357)	(3,876)	(8,062)
Net profit / (loss) from the disposal of non-current assets	37	18	-	-	(2,700)	(2,645)
Total Expenses	(51,672)	(8,072)	(1,776)	(4,291)	(14,458)	(80,269)
Segment Profit						
Trading profit before revaluation of standing timber and other revenues from SA Government	21,591	(691)	(336)	(1,190)	(12,590)	6,784
Other revenues from SA Government	4,106	691	336	1,190	(1,786)	4,537
Trading profit before revaluation of standing timber	25,697	-	-	-	(14,376)	11,321
Trading profit before revaluation of standing timber	(16,471)	(4,143)	5,249	-	-	(15,365)
Land revaluation recorded in asset revaluation surplus	-	-	-	-	-	-
Total Comprehensive Result	9,226	(4,143)	5,249	-	(14,376)	(4,044)

Table #29 - Segment information cont.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

23 COMMITMENTS AND CONTINGENCIES

a) Commitments

	2014 \$ '000	2013 \$ '000
i) Operating lease commitments		
Non cancellable operating leases contracted for but not capitalised in the accounts:		
Due not later than one year	483	688
Due later than one year but not later than five years	379	422
Total operating lease commitments	862	1,110
These operating lease commitments are not recognised in the financial report as liabilities. The operating lease commitments are related to the light vehicle fleet.		
ii) Remuneration commitments		
Due not later than one year	3,427	3,967
Due later than one year but not later than five years	2,577	5,589
Total remuneration commitments	6,004	9,556
The remuneration commitments relate to employee agreements ForestrySA has entered into with employees for a fixed period of time. The nature of the calculations to derive the amounts presented, which are based on a range of simplified assumptions about variables that will impact the future dollar outcome of the commitments to ForestrySA, is such that the presented figures provide an indicative amount.		
iii) Other commitments		
Due not later than one year	4,544	3,563
Due later than one year but not later than five years	8,289	10,687
Total other commitments	12,833	14,250

Table #30 - Commitments and contingencies

ForestrySA's contracting commitments are for agreements for the harvesting and transport of log. The nature of the calculations to derive the amounts presented, which are based on a range of simplified assumptions about variables that will impact the future dollar outcome of the commitments to ForestrySA, is such that the presented figures only provide an indicative amount.

ForestrySA has also entered into supply agreements to sell timber that is harvested. The terms and conditions of these agreements vary.

ForestrySA is has entered into contracts related to the implementation of a new Enterprise Resource Planning and Sales system, resulting in commitments for one year and commitments later than one year.

b) Contingent Liabilities

SA Superannuation Board payments: Defined Benefit Members

ForestrySA and the SA Superannuation Board entered into an arrangement at the time of incorporation of ForestrySA to allow officers and employees of ForestrySA, who were immediately before incorporation of ForestrySA contributors to the State Superannuation Scheme, to remain contributors under the Superannuation Act 1988.

ForestrySA was notified by the SA Superannuation Board in 2013 of a \$6.7 million actuarially assessed funding deficit relating to defined benefit members employed by ForestrySA as at 30 June 2012, requiring additional contributions over 15 years. The previous 2009 actuarial assessment indicated a deficit of \$5.7 million. In addition to regular contributions in relation to current superannuation benefits ForestrySA has expensed \$583,000 (2013: \$561,000) being the amount payable during the current financial year in relation to the benefit funding deficit. A liability has not been recognised for the remaining balance. The annual expense is increased by 4% annually until a new actuarial assessment by the SA Superannuation Board is issued.

c) Contingent Assets

Various banks have issued bank guarantees for ForestrySA customers to ForestrySA, which form a security in case of default on payment.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

24 EXECUTIVE DISCLOSURES

(a) Details of key management personnel

Executive	
A. Hatch	Acting Chief Executive (appointed 16 August 2013), previously General Manager - Commercial
W.G. Materne	Chief Financial Officer (to 22 July 2013)
J.P. Coleman	Chief Financial Officer (appointed 5 August 2013)
J. Jagger	General Manager - Commercial (appointed 14 February 2014)
J.F. O'Hehir	General Manager - Planning & Development
D.I. Robertson	Chief Executive (to 16 August 2013)
G.K. Saunder	General Manager - Operations

(b) Compensation of key management personnel

	2014 \$ '000	2013 \$ '000
Short term employee benefits paid or due and payable to or on behalf of key management personnel	1,025	914
Termination payments paid or due and payable to or on behalf of key management personnel	128	-
Superannuation benefits paid or due and payable to or on behalf of key management personnel	181	90
Total	1,334	1,004

Table #31 - Executive disclosures

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

25 TRANSACTIONS WITH SA GOVERNMENT

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

	Note	SA Government		Non-SA Government		Total	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Income							
Sales - Timber products		-	-	18,867	32,837	18,867	32,837
Wood sales - back to back		-	-	36,694	21,283	36,694	21,283
Sales - Management services		-	-	16,804	9,998	16,804	9,998
Revenues from SA Government	5(i)	15,117	8,028	-	-	15,117	8,028
Interest	5(ii)	466	1,443	237	164	703	1,607
Other income	5(iii)	-	-	637	17,837	637	17,837
Total Income		15,583	9,471	73,239	82,119	88,822	91,590
Expenses							
Employee benefits	7	2,570	2,536	20,147	13,889	22,717	16,425
Contractors		171	151	10,937	18,072	11,108	18,223
Wood purchases - back to back		-	-	36,694	21,283	36,694	21,283
Depreciation and amortisation	5(v), 15, 17	-	-	1,765	2,105	1,765	2,105
Finance costs	5(v)	-	1,814	-	-	-	1,814
Materials		3	3	1,196	4,740	1,199	4,743
Equipment and vehicle costs		83	696	2,720	2,618	2,803	3,314
Council rates		-	-	1,668	1,655	1,668	1,655
Other expenditure							
Net gain from disposal of current assets	5(vi)	-	-	-	1,104	-	1,104
Contract Settlement	5(iii)	-	-	-	3,144	-	3,144
Doubtful debt provision / write down	5(vi)	-	-	111	1,297	111	1,297
Export - Shipping	5(vi)	-	-	4,057	-	4,057	-
Export - Marketing & Other	5(vi)	-	-	2,540	-	2,540	-
Other	5(vi)	1,171	1,172	2,760	1,345	3,931	2,517
Net loss from the disposal of non-current assets	5(vi)	-	2	229	2,643	229	2,645
Total Expenses		3,998	6,374	84,824	73,895	88,822	80,269

Table #32 - Transactions with SA Government

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

25 TRANSACTIONS WITH SA GOVERNMENT CONT.

	Note	SA Government		Non-SA Government		Total	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Financial Assets							
Receivables							
Trade receivables	10	-	388	10,477	7,918	10,477	8,306
Less doubtful debts	10	-	-	(111)	(24)	(111)	(24)
Other receivables	10	-	-	-	-	2,259	-
Accrued revenue	10	52	36	1	7	53	43
Total current financial assets		52	424	10,367	10,160	10,419	10,584
Total financial assets		52	424	10,367	10,160	10,419	10,584
Financial liabilities							
Payables							
Trade payables	17	457	352	6,255	5,924	6,712	6,276
Accrued expenses	17	4,255	69	387	(28)	4,642	41
Employee benefits	18	-	-	9,544	2,215	9,544	2,215
Deferred income	19	63	110	88	63	151	173
Other provisions	20	-	-	246	240	246	240
Total current financial liabilities		4,775	531	16,520	8,414	21,295	8,945
Non-current financial liabilities							
Employee benefits	18	-	-	1,467	3,033	1,467	3,033
Deferred income	19	512	557	108	122	620	679
Other provisions	20	-	-	1,019	985	1,019	985
Total non-current financial liabilities		512	557	2,594	4,140	3,106	4,697
Total financial liabilities		5,287	1,088	19,114	12,554	24,401	13,642

Table #32 - Transactions with SA Government cont.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

26 DIRECTORS AND RELATED PARTY DISCLOSURES

The following persons held the position of director of the Corporation during the financial year:

I.J. Kowalick - Chairman
K.H. Adams (to 1 August 2013)
A. Darras
A. McCleary
J. Obst
J.R. Roache ¹ (appointed 26 September 2013)

Table #33 - Directors and related party disclosures

Transactions between ForestrySA and its directors are made at arm's length. There have been no such transactions in the financial year (2013: nil).

¹ SA Government Employee. In accordance with the Premier and Cabinet Circular No. 016 SA Government employees did not receive any remuneration for duties during the financial year.

	2014 \$ '000	2013 \$ '000
Director's remuneration		
Income paid or due and payable to or on behalf of directors, excluding superannuation benefits	166	203
Superannuation benefits paid or due and payable to or on behalf of directors	15	18

The number of directors whose income was within the following bands:

	2014 Number	2013 Number
\$0	1	-
\$1 - \$9,999	1	-
\$30,000 - \$39,999	2	2
\$40,000 - \$49,999	1	2
\$50,000 - \$59,999	1	-
\$60,000 - \$69,999	-	1
Total number of directors	6	5

Table #33 - Directors and related party disclosures cont.

27 RELATED PARTIES

Related parties include parties that control or have an interest in the entity that gives it significant influence over ForestrySA.

ForestrySA is controlled by the SA Government. Transactions and balances between ForestrySA and related parties (other SA Government controlled entities) are disclosed in note 26.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

28 FINANCIAL INSTRUMENTS

(i) Credit risk exposures

The credit risk on financial assets of the economic entity which have been recognised in the Statement of Financial Position, is generally the carrying amount, net of any doubtful debts.

The nature and location of ForestrySA's forestry operations cause concentration of credit risk in relation to trade receivables as 86% of the value of transactions for the financial year were transactions with the four largest of ForestrySA's customers (2013: 80% for the six largest).

Credit risk in trade receivables is managed in the following ways:

- payment terms are 30 days unless otherwise agreed in the terms and conditions of individual contracts.
- a risk assessment process is used for customers with balances over \$10,000.
- bank guarantees are obtained for specific customers (see also note 23).
- interest is charged on overdue balances.

(ii) Foreign currency risk exposures

As at 30 June 2014 ForestrySA's exposure to foreign currencies is USD 189,000 (2013: nil).

(iii) Interest rate risk exposures

The economic entity's exposure to interest rate risk for each class of financial assets and financial liabilities is set out in the following table.

	Floating rate \$'000	Non-interest bearing \$'000	2014 Total \$'000	2013 Total \$'000
Financial assets:				
Cash and cash equivalents	27,383	-	27,383	15,366
Receivables ¹	-	10,419	10,419	10,584
	27,383	10,419	37,802	25,950
Financial liabilities:				
Payables ²	-	11,355	11,355	6,317
	-	11,355	11,355	6,317
Net Financial assets/(liabilities)	27,383	(936)	26,447	19,633

Table #34 - Financial instruments

¹ Other than prepayments

² Other than employee on-costs and statutory payables

A separate sensitivity analysis for movements in interest rates has been undertaken for the interest rate risk of ForestrySA. However, results of the analysis have determined the possible impact on profit and loss from fluctuations in interest rates to be immaterial.

(iv) Net fair value of financial assets and liabilities

The net fair value of cash, trade receivables (excluding accrued revenue) and trade creditors approximates their carrying amount.

Short-term accrued revenue: The carrying amount approximates fair value because of their short term to maturity.

(v) Hedging instruments

Hedges of specific instruments

ForestrySA has no open hedging instruments.

(vi) Liquidity risk

Liquidity risk relates to difficulties that ForestrySA may encounter in meeting obligations associated with its financial liabilities. ForestrySA manages this risk by maintaining a strong working capital position and having appropriate financing arrangements in place. ForestrySA's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

28 FINANCIAL INSTRUMENTS CONT.

(vii) Ageing analysis of financial assets

The following table discloses the ageing of financial assets, past due, including impaired assets past due.

	Past due by			Total \$'000
	Overdue for <30 days \$'000	Overdue for 30-60 days \$'000	Overdue for >60 days \$'000	
2014				
Not impaired¹				
Receivables	8,964	33	1,311	10,308
Other financial assets	-	-	-	-
Impaired¹				
Receivables	77	17	17	111
Allowance for impairment	77	17	17	111
2013				
Not impaired¹				
Receivables	8,428	697	1,436	10,560
Other financial assets	-	-	-	-
Impaired¹				
Receivables	-	-	24	24
Allowance for impairment	-	-	24	24

Table #34 - Financial instruments cont.

¹ Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables and are carried at cost. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights and obligations have their source in legislation such as employee benefits on-costs, payroll tax, FBT, land tax, GST receivables/payables, audit fees, etc. they would be excluded from the disclosure.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

28 FINANCIAL INSTRUMENTS CONT.

(viii) Maturity analysis of financial assets and financial liabilities

The following table discloses the maturity analysis of financial assets and financial liabilities.

	Carrying amount \$'000	Contractual Maturities		
		<1 year \$'000	1-5 years \$'000	>5 years \$'000
2014				
Financial assets				
Cash & cash equivalent	27,383	27,383	-	-
Receivables	10,419	10,419	-	-
Other financial assets	-	-	-	-
Total financial assets	37,802	37,802	-	-
Financial liabilities				
Payables	11,355	11,355	-	-
Borrowings	-	-	-	-
Finance lease liability	-	-	-	-
Other financial liabilities	13,047	9,941	2,458	648
Total financial liabilities	24,402	21,296	2,458	648
2013				
Financial assets				
Cash & cash equivalent	15,366	15,366	-	-
Receivables	10,584	10,584	-	-
Other financial assets	-	-	-	-
Total financial assets	25,950	25,950	-	-
Financial liabilities				
Payables	6,317	6,317	-	-
Borrowings	-	-	-	-
Finance lease liability	-	-	-	-
Other financial liabilities	7,325	2,628	3,999	698
Total financial liabilities	13,642	8,945	3,999	698

Table #34 - Financial instruments cont.

CERTIFICATION OF THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

SOUTH AUSTRALIAN FORESTRY CORPORATION

Certification of the Financial Statements

We certify that the attached general purpose financial statements of the South Australian Forestry Corporation (ForestrySA):

- Comply with the relevant Treasurer's Instructions issued under Section 41 of the Public Finance and Audit Act 1987, and relevant Australian accounting standards;
- Are in accordance with the accounts and records of ForestrySA; and
- Present a true and fair view of the financial position of ForestrySA as at 30 June 2014 and the result of its operation and cash flows for the financial year.

We certify that the internal controls employed by ForestrySA over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period and there are reasonable grounds to believe ForestrySA will be able to pay its debts as and when they become due and payable, with the continued support of the SA Government to maintain the current community service obligations and subsidy payments.

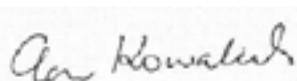
Signed in accordance with a resolution of the Board Members.



Jerome Coleman
ACTING CHIEF EXECUTIVE
SOUTH AUSTRALIAN FORESTRY CORPORATION
12 November 2014



Jeroen Zwijnenburg
ACTING CHIEF FINANCIAL OFFICER
SOUTH AUSTRALIAN FORESTRY CORPORATION
12 November 2014



Ian Kowalick
CHAIRMAN
SOUTH AUSTRALIAN FORESTRY CORPORATION
12 November 2014

INDEPENDENT AUDIT REPORT

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

Level 11
State Administration Centre
200 Victoria Square
Adelaide SA 5000
LN50628
Marianne Equire
Tel: +61 8 8225 9640
Fax: +61 8 8225 5688
ABN: 53 027 651 410
a.general@sa.gov.au
www.audit.sa.gov.au

To the Chairman of the Board South Australian Forestry Corporation

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 32 (4) of the *Public Corporations Act 1993*, I have audited the accompanying financial report of the South Australian Forestry Corporation for the financial year ended 30 June 2014. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2014
- a Statement of Financial Position as at 30 June 2014
- a Statement of Changes in Equity for the year ended 30 June 2014
- a Statement of Cash Flows for the year ended 30 June 2014
- notes to and forming part of the financial statements
- a Certificate from the Chairman, the Acting Chief Executive and the Acting Chief Financial Officer.

The Board's Responsibility for the Financial Report

The Directors of the Board are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Board of Management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about 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 these 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. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors of the Board, as well as the overall presentation of the financial report.

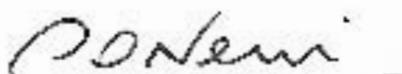
INDEPENDENT AUDIT REPORT

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

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

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the South Australian Forestry Corporation as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.



S O'Neill
AUDITOR-GENERAL
19 November 2014

STATUTORY INFORMATION: CONTENTS

CONTENTS	PAGE
ForestrySA and South Australia's Strategic Plan	51
Regional Impact Assessment Statements	51
Consultants	51
Employee numbers, gender and status	52
Overseas travel	52
Executives by gender, classification and status	53
Workforce diversity	53
Employees by age bracket, by gender	53
Cultural and linguistic diversity	53
Employees with ongoing disabilities	54
Flexible working arrangements	54
Leave management	54
Employment opportunity programs	54
Performance development	54
Accredited training packages	55
GoGo Action Plan	55
Disability Action Plan	55
Legislation administered by ForestrySA	55
Whistleblowers Protection Act 1993	56
Asbestos management	56
Training and development expenditure	56
Energy Efficiency Action Plan	56
Work Health, Safety and Injury Management	57
Contractual arrangements	58
Account payment performance	58

Table #35 - Statutory information: Contents

FORESTRYSA AND SOUTH AUSTRALIA'S STRATEGIC PLAN

South Australia's Strategic Plan (SASP)	Measure or actions by ForestrySA
Increase the vibrancy of the South Australian arts industry by increasing attendance at selected arts activities by 150% by 2020. (Target 3 Cultural vibrancy – arts activities)	ForestrySA provided sponsorship to the Riddoch Art Gallery's Da Vinci Machines exhibition.
Improve quality of life of all South Australians through maintenance of a healthy work-life balance (Target 13 Work-life balance)	ForestrySA allows staff to accrue and use flexitime, providing flexible working hours and the potential for an improved work-life balance.
Maintain a high level of formal and informal volunteering in South Australia at 70% participation rate or higher. (Target 24 Volunteering)	ForestrySA recorded approximately 15,760 hours of volunteer participation during 2013-14.
Increase the number of women on all State Government boards and committees to 50% on average by 2014, and maintain thereafter by ensuring that 50% of women are appointed, on average, each quarter. (Target 30 Boards and committees)	Three of the five ForestrySA Board members are women.
Increase the number of women chairing State Government boards and committees to 50% by 2014. (Target 31 Chairs of boards and committees)	ForestrySA's Audit and Risk Board sub committee is chaired by a woman.
Increase by 10% the number of people with a disability employed in South Australia by 2020. (Target 50: People with disability)	A total of 1.07% of ForestrySA's workforce is made up of people with a disability.
Have women comprising half of the public sector employees in the executive levels (including Chief Executives) by 2014 and maintain thereafter (Target 52: Women)	ForestrySA currently employs no women at Executive level.
Increase the participation of Aboriginal people in the South Australian public sector, spread across all classifications and agencies, to 2% by 2014 and maintain or better those levels through to 2020. (Target 53: Aboriginal employees)	A total of 1.07% of ForestrySA's workforce is made up of people of Aboriginal / Torres Strait Islander heritage.
Achieve the Kyoto target by limiting the State's greenhouse gas emissions to 108% of 1990 levels during 2008-2012, as a first step towards reducing emissions by 60% (to 40% of 1990 levels) by 2050. (Target 59 Greenhouse gas emissions reduction)	Carbon sequestered by 2013-14 in ForestrySA's Kyoto-compliant plantations was 13,356 tonnes. Sequestered carbon in ForestrySA plantations has increased significantly over the last 10 years.
Improve the energy efficiency of government buildings by 30% by 2020. Milestone of 25% by 2014. (Target 61 Energy efficiency – government buildings)	ForestrySA's total energy use was reduced by 5,466 GJ during 2013-14. ForestrySA's Mount Gambier Corporate Office building is rated "5 Star Green Star – Office Design" by the Green Building Council of Australia.
Develop regional climate change adaptation plans in all State Government regions by 2016. (T62 Climate change adaptation)	ForestrySA is on the steering committee of a FWPA funded three-year CSIRO project that aims to develop industry capacity to examine risks and impacts of climatic variability, through predictions of changing risk and impact over the next 20 to 50 years, development of tools for site or regional assessment and examination of adaptive strategies to manage risk and impact.
Lose no native species as a result of human impacts. (T69 Lose no species)	None lost in ForestrySA native forest areas.
Increase participation in nature conservation activities by 25% by 2015. (T72 Nature conservation)	ForestrySA recorded 15,760 community engagement hours during 2013-14, with volunteers participating in a range of activities across.

Table 36 - ForestrySA and South Australia's Strategic Plan

REGIONAL IMPACT ASSESSMENT STATEMENTS

No Regional Impact Assessment Statements were required to be prepared by ForestrySA during 2013-14.

CONSULTANTS

	Consultant	Purpose of consultancy	Number	Total
Value below \$10,000	-	-	-	-
Value \$10,000 - \$50,000	Ernst & Young	GST/BAS Statement Review. Internal Audit Services	1	\$40,323
	Parsonson & Partners Pty Ltd	Sales pricing and forest resource estimates following Bangor Fire	1	\$25,000
Value above \$50,000	-	-	-	-

Table #37 - Consultants

EMPLOYEE NUMBERS, GENDER AND STATUS

Total employees					
Persons (as at 30 June 2014)				93	
FTEs (as at 30 June 2014)				92.19	
Gender		% persons		% FTEs	
Male		75		75	
Female		25		25	
Persons during 2012-13					
Separated from ForestrySA				123	
Recruited to ForestrySA				47	
Persons at 30 June 2014					
On leave without pay				0	
Employees by salary bracket		Male	Female	Total	
\$0 - \$54,799		16	6	22	
\$54,800-\$69,699		19	9	28	
\$69,700-\$89,199		12	7	19	
\$89,200-\$112,599		9	2	11	
\$112,600+		13	0	13	
TOTAL		69	24	93	
Status of employees in current position 2013-14					
FTEs	Ongoing	Short-term contract	Long-term contract	Other (casual)	Total
Male	37	7	25	0	69
Female	11.8	2	9.39	0	23.19
TOTAL	48.8	9	34.39	0	92.19
Persons	Ongoing	Short-term contract	Long-term contract	Other (casual)	Total
Male	37	7	25	0	69
Female	12	2	10	0	24
TOTAL	49	9	35	0	93

Table #38 - Employee numbers, gender and status

OVERSEAS TRAVEL

Employees	Destination	Reason for travel	Cost to ForestrySA
1	China	Market intelligence and potential customers	\$9,000

Table #39 - Overseas travel

EXECUTIVES BY GENDER, CLASSIFICATION AND STATUS

Term tenured		Term untenured		Total	
Male	Female	Male	Female	Male	Female
1	0	4	0	5	0

Table #40 - Executives by gender, classification and status

WORKFORCE DIVERSITY

Aboriginal and / or Torres Strait Islander employees					
Salary bracket	Aboriginal / Torres Strait Islander employees	Total employees	% Aboriginal/Torres Strait Islander employees	Target (%)*	
\$0-\$54,799	1	22	1.07	2	
\$54,800-\$69,699	0	28	0	2	
\$69,700-\$89,199	0	19	0	2	
\$89,200-\$112,599	0	11	0	2	
\$112,600+	0	13	0	2	
TOTAL	1	93	1.07	2	

Table #41 - Workforce diversity

*Target from SASP

EMPLOYEES BY AGE BRACKET, BY GENDER

Age bracket	Male	Female	Total	% of total	2013 Workforce Benchmark (%)*
15-19	0	0	1	0	6.2
20-24	0	0	0	0	9.7
25-29	3	5	8	8.6	10.9
30-34	6	5	11	11.8	9.8
35-39	8	5	13	14	10.1
40-44	16	2	18	19.4	11.8
45-49	8	3	11	11.8	11.2
50-54	14	2	16	17.2	11.3
55-59	7	1	8	8.6	9.0
60-64	7	1	8	8.6	6.1
65+	0	0	0	0	3.7
TOTAL	69	24	93	100	100.0

*Source: Australian Bureau of Statistics Australian Demographic Statistics, 6291.0.55.001 Labour Force Status (ST LM8) by sex, age, state, marital status – employed – total from Feb78 Supertable, South Australia at February 2013

Table #42 - Employees by age bracket, by gender

CULTURAL AND LINGUISTIC DIVERSITY

	Male	Female	Total	% of ForestrySA	SA Community (%)*
Number of employees born overseas	14	4	18	19.3	22.1
Number of employees who speak language(s) other than English at home	4	0	4	4.3	14.4

*Benchmarks from ABS Publication Basic Community Profile (SA) Cat No 2001.0, 2006 census

Table #43 - Cultural and linguistic diversity

EMPLOYEES WITH ONGOING DISABILITIES

Disability	Male	Female	Total	% of ForestrySA
Disability requiring workplace adaptation	0	1	1	1.07
Physical	0	0	0	0
Intellectual	0	0	0	0
Sensory	0	0	0	0
Psychological / psychiatric	0	0	0	0

Table #44 - Employees with ongoing disabilities

FLEXIBLE WORKING ARRANGEMENTS

	Male	Female	Total
Purchased leave	0	0	0
Flexitime	69	24	93
Compressed weeks	0	0	0
Part-time	0	4	4
Job share	0	0	0
Working from home	0	0	0

Table #45 - Flexible working arrangements

LEAVE MANAGEMENT

Leave type (Average days' leave per Full Time Equivalent employee)	2013-14	2012-13
Sick leave	6.7	6.3
Family carer's leave	1.5	1.2
Miscellaneous special leave	2.2	0.7

Table #46 - Leave management

EMPLOYMENT OPPORTUNITY PROGRAMS

ForestrySA ensures its recruitment and selection processes do not discriminate against any applicant.

ForestrySA remains an active participant in the Forest Industry Training Network in Mount Gambier and Forestworks at a national level. These networks include industry and training providers and continue to promote and encourage Vocational Education opportunities within the Timber industry.

No employees participated in a traineeship or apprenticeship during 2013-14.

The ForestrySA Human Resource Manual and Injury Management Manual continue to support the Human Resources function within ForestrySA with their comprehensive detail and inclusion of all Disability Discrimination Act 1992 and Equal Opportunity Act 1991 requirements.

PERFORMANCE DEVELOPMENT

Documented review of individual performance. Employees with:	Total workforce %
A review within the past 12 months	95.6
A review older than 12 months	4.4
No review	0

Table #47 - Performance development

ACCREDITED TRAINING PACKAGES

Employee classification	ForestrySA staff
Level 1	0
Level 2	9
Level 3	28
Level 4	13
Level 5	12
Level 6	5
Level 7	1
Level 8	2
Level 9	0
Level 10	0
Level 11	1
TOTAL	71

Table #48 - Accredited training packages

GOGO ACTION PLAN

The GoGo Action Plan provides a framework for South Australian Government Agencies to progress greening programs.

The GoGo plan builds upon the Government Energy Efficiency Action Plan.

Priority areas include energy management, water conservation and waste management.

	Unit	2013-14		2012-13	
		Consumption	Expenditure (\$)	Consumption	Expenditure (\$)
Electricity	kwh	384,908	122,623	463,211	158,307
Water	kl	2,377	7,730.86	1,854	8,679
Paper	ream	937	8,015	546	4,282

Table #49 - Greening of Government Operations

DISABILITY ACTION PLAN

ForestrySA has a number of processes and procedures in place to ensure equity for people with disabilities:

- The ForestrySA Fair Treatment Program continues to promote Equity and Diversity within the workplace and to raise the level of awareness and reinforce the strong commitment to a workplace culture which fosters an environment free from all forms of bullying, harassment and discriminatory behaviours.
- Employees returning to work from injury are provided with the support and necessary resources to undertake the requirements of their positions.

- All Injury Management claims and associated activities are managed in accordance with relevant equity and diversity principles, which are incorporated into all policies and practices relating to these activities. All return to work plans, alternate duties and rehabilitation plans are supported by the respective standards.
- ForestrySA ensures business activities and supporting procedures do not discriminate against people with disabilities.

LEGISLATION ADMINISTERED BY FORESTRYSA

- *Forestry Act 1950* (including the *Forestry Regulations 2005*)
- *South Australian Forestry Corporation Act 2000*

WHISTLEBLOWERS PROTECTION ACT 1993

On no occasion during 2013-14 were matters of public interest disclosed to the ForestrySA Responsible Officer appointed under the *Whistleblowers Protection Act 1993*.

ASBESTOS MANAGEMENT

Category	Number of sites		Category description	Interpretation: One or more item(s) at these sites...
	At start of year	At end of year		
1	0	0	Remove	Should be removed promptly
2	0	0	Remove as soon as practicable	Should be scheduled for removal at a practicable time
3	2	2	Use care during maintenance	May need removal during maintenance works
4	2	2	Monitor condition	Has asbestos present. Inspect according to legislation and policy
5	6	7	No asbestos identified / identified asbestos has been removed	All asbestos (identified as per WHS Regulations 422) has been removed
6	1	1	Further information required	These sites not yet categorised

Table #50 - Asbestos management

Definitions

Category

The site performance score, determined by the lowest item performance score at each site.

Number of sites in category

A count of how many sites have the corresponding site performance score, with separate counts done at the start and the end of each year.

Category description

Indicates the recommended action corresponding to the lowest item performance score (recorded in the asbestos register by a competent person, as per *WHS Regulations 2012*.

Interpretation

A brief real-world example of what each category implies for a site.

TRAINING AND DEVELOPMENT EXPENDITURE

Training and development	Expenditure (\$)	% of total salary expenditure
Total training and development expenditure	512,415	3.4
Total leadership and management development expenditure	98,699	0.7

Table #51 - Training and development expenditure

ENERGY EFFICIENCY ACTION PLAN

ForestrySA is required to report performance against annual energy efficiency targets under the government's Energy Efficiency Action Plan.

The plan includes Target 61: Energy Efficiency – government buildings: Improve the energy efficiency of government buildings by 30% by 2020 (baseline 2000-01), milestone of 25% by 2014.

Energy consumption calculations in the following table include electricity, natural gas and vehicle fleet fuels. The 2012-13 portfolio target reduction is 22.5% of base year 2000-01.

	Energy use (GJ)	GHG emissions (kg CO ₂ e)	Business measure (GJ/FTE)
Base year 2000-01 ForestrySA total	36,942	3,192	150.17 (FTE = 246)
2013-14 ForestrySA total	20,429	1,174	124.15 (FTE average = 173)
2013-14 ForestrySA target	27,707	2,394	112.63
Final target (for 2014)	27,707	2,394	112.63

Table #52 - Energy Efficiency Action Plan

WORK HEALTH, SAFETY AND INJURY MANAGEMENT

WORK HEALTH AND SAFETY

ForestrySA continues to demonstrate commitment in managing Work Health and Safety (WHS). We recognise the importance of and are committed to, providing a safe and healthy working environment for all employees, the public, contractors, clients and visitors to our work sites. We endeavor to improve the culture and climate of the organisation through continuous improvement and provide skilled personnel with the competence necessary to see that our services are routinely delivered to a safe and professional standard.

While management has a duty to provide and maintain a safe and healthy work environment, health and safety in the workplace is a responsibility shared by all employees. ForestrySA is committed to the continuous improvement of our WHS performance, through the ongoing development of the Safety Management System, consultation with our employees, and a focus on the health and safety issues that affect all employees, the public, contractors, clients and visitors.

The Executive Group continues to actively demonstrate their involvement and commitment to WHS by monitoring, reviewing, challenging and participating in the organisations WHS programs. Executive Worksite Reviews, regular communication with key stakeholders and involvement in incident investigations are key areas which involve all of the Executive Group.

INJURY MANAGEMENT

A focus on the importance of early intervention and reporting of work related injuries continued throughout the year with education programs run at each worksite.

Our claim numbers reduced, with nine claims for compensation lodged; two remaining open at the end of the financial year. Three lost time injuries were sustained, and one employee underwent surgery which resulted in a lost time for claim made prior to this financial year and a rise in the severity rate.

The Employee Assistance Program continued to provide support to our employees with 18 employees and family members accessing the program for a range of services such as confidential counseling and physiotherapy. Assistance was also provided to help employees suffering non-work related injuries to return to and/or remain in the work place.

Our focus on continual improvement and holistic approach to claims management is supported by the key stakeholders. This is maintained by our positive safety culture which has been established through communication and a shared perception of all employees and the importance of safety in our business. Senior level engagement in the promotion, monitoring and review of our system and its performance, sends a positive message to all employees.

1	Work Health and Safety prosecution, notices and corrective action taken	2013-14	
	Number of notifiable incidents pursuant to <i>WHS Act Part</i>		0
	Number of notices served pursuant to <i>WHS Act Section 90, Section 191 and Section 195 (provisional improvement, improvement and prohibition notices)</i>		0
2	Gross workers compensation expenditure	2013-14	2012-13
	Income maintenance	\$49,990	\$55,793
	Lump sum settlements - redemptions - Sect. 42 (before third party recovery)	\$192,812	\$0
	Lump sum settlements - permanent disability - Sect. 43	\$23,803	\$26,514
	Medical/hospital costs	\$121,522	\$84,017
	Other costs associated with injury management	\$58,447	\$54,632
	Total claims expenditure	\$446,574	\$220,956
	Budget allocation for workers compensation	\$624,288	\$453,714
	Workers compensation expenditure over gross annual remuneration	1.9%	1.3%
3	Workers Compensation Claims	2013-14	2012-13
	New workers compensation claims in the financial year	9	18
	Medical expenses only (MEO)	6	6
	Lost time injuries (LTI) (new claims only)	3	12
	Number of open claims at 30 June	5	7
	Total number of whole working days lost	256.60	270

Table #53 - Work Health, Safety and Injury Management

WORK HEALTH, SAFETY AND INJURY MANAGEMENT CONTINUED

4 Workers Compensation claim trends		2013-14	2012-13
Severity of compensable injuries (number of days lost divided by number of lost time claims)		30.5	22.5
Injury frequency rate for new lost-time injury/disease for each million hours worked		11.95	40.15
Most frequent cause (mechanism) of injury		Trips, slips and falls	Long term exposure to sounds
Most expensive cause (mechanism) of injury		Body stressing	Long term exposure to sound

5 Meeting Safety Performance Targets	Base 2009-10	Performance: 12 months to 30 June 2014			Final target
		Actual	National target	Variation	
Workplace facilities	0	0	0	0	0
New workplace injury claims	10	9	9	0	8

6 Rehabilitation and return to work	Base 2009-10	Performance: 12 months to 30 June 2014			Final target
		Actual	National target	Variation	
Early assessment within two days	100%	100%	80%	20%	80%
Early intervention within five days	100%	100%	90%	10%	90%
LTI have 10 business days or less lost time	66.67%	0%	60%	60%	60%

Table #53 - Occupational Health, Safety and Injury Management cont.

CONTRACTUAL ARRANGEMENTS

No contractual arrangements were entered into of the type prescribed in the Department of the Premier and Cabinet Circular PC013 - Annual Reporting Requirements 2014.

ACCOUNT PAYMENT PERFORMANCE

Particulars	Number of accounts paid	% of accounts paid (by number)	Value of accounts paid (\$'000)	% of accounts paid (by value)
Paid by due date	7,108	84.28	84,614,973.03	95.55
Paid late but paid within 30 days or less of the due date	853	10.11	2,883,090.16	3.26
Paid more than 30 days from the due date	473	5.61	1,055,411.14	1.19
TOTAL	8,434	100	88,553,474.33	100

Table #54 - Account payment performance

GLOSSARY

Australian Forestry Standard (AFS)	The internationally recognised forestry standard (AS 4708) to which ForestrySA is certified in the Green Triangle and Mount Lofty Ranges
Biodiversity	Includes genetic diversity, reflecting the diversity within each species (species diversity and the variety of species) and ecosystem diversity (the diversity of different communities formed by living organisms and the relationships between them)
Carbon sequestration	The process by which trees and other plants take up carbon dioxide from the atmosphere and store it as organic carbon in leaves, branches, stems and roots. Plants sequester carbon dioxide as part of the growing process
CFS	Country Fire Service
CSIRO	Commonwealth Scientific and Industrial Research Organisation
Conservation	The management of the natural environment to ensure its survival. A term covering preservation, maintenance, restoration and enhancement of the environment
CSO	Community Service Obligation
DEWNR	Department of Environment, Water and Natural Resources
DTF	Department of Treasury and Finance
FSC	Forest Safety Committee
FMS	Forest Management System. This system covers all processes involved in the management and protection of native forests, the provision of services to private forestry and establishment, and the maintenance and harvesting of the plantation estate
Forest Reserve	An area of State forest, formally gazetted under the <i>Forestry Act 1950</i> for long-term intent, to be managed for production, recreational, scientific, aesthetic, and environmental or protection purposes
FWPA	Forest and Wood Products Australia
GIS	Geographic Information System
ha	Hectare/s
Hardwood	Timber from broad-leaved flowering trees irrespective of physical hardness. Includes eucalypts, wattles and most rainforest species
HSE	Health, Safety and Environment Committee
ICT	Information and Communications Technology
IM	Injury Management
IMT	Incident Management Team
LiDAR	Light Detection and Ranging. A remote sensing technology adapted by ForestrySA to assess the productivity of forest plantations
LTI FR	Lost Time Injury Frequency Rate. Refers to the number of incidents per million working hours incurred where the injured employee is off work for the whole of the following day
Native forest	Forest consisting of native tree and other species that are endemic to South Australia
Native Forest Reserve	An area of proclaimed Forest Reserve that has been further proclaimed as a Native Forest Reserve under the <i>Forestry Act 1950</i> specifically for the conservation of native flora and fauna
OFO	OneFortyOne Plantations Pty Ltd
PIRSA	Department of Primary Industries and Resources South Australia

Prescribed burning	The planned use of fire in a predetermined area, with an intensity and rate of spread designed to achieve specific results, including promoting biological diversity, reducing the volume of flammable fuels
Pulpwood	Logs below sawlog quality but suitable for manufacturing pulp, paper and panel products
Recovery log	Short length, small diameter sawlog
SAFC	South Australian Forestry Corporation
SASP	South Australia's Strategic Plan
SA Water	South Australian Water Corporation
Sawlog	A log for processing into sawn timber
Silviculture	The cultivation of forest including both native forest and plantations
Softwood	Timber of coniferous or cone-bearing trees irrespective of physical hardness. Includes radiata pine
Standing plantation	The area of standing plantation, less areas that have been clear felled
Thinning	Removing some trees in a forest to reduce competition and thus improve or maintain the growth and health of the remaining trees
Timber	The general term used to describe sawn wood suitable for building and other purposes
TVSP	Targeted Voluntary Separation Package
Watercourse and wetland buffer zone	An area of land designed to protect a wetland or watercourse
WHS	Work Health and Safety

Table #57 - Glossary

