

ForestrySA

ANNUAL REPORT 2017-18



ABOUT FORESTRYSA



SOUTH AUSTRALIA'S HOMEGROWN PLANTATION AND COMMUNITY FOREST MANAGER SINCE 1875.

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

Legislation administered by ForestrySA includes the *Forestry Act 1950* (including the *Forestry Regulations 2013*) and the *South Australian Forestry Act 2000*.

ForestrySA's responsibilities as a commercial and recreational forest manager are set out in the South Australian Forestry Corporation Charter.

This document details the South Australian Government's priorities and requirements of the business and can be found on page 9 of this report.

ForestrySA's core commercial role is management of more than 10,000ha of plantation pine in the Mount Lofty Ranges.

As a plantation manager, ForestrySA's focus is the production of log which our customers convert into a range of structural and non-structural timber products.

Most timber is sold to regional domestic markets, with some exported according to quality and demand.

ForestrySA is also responsible for 19,500ha of Native Forest Reserve located within South Australia's Mount Lofty Ranges and Green Triangle regions.

These forests are managed and protected for conservation purposes.

All plantation and native forest areas under ForestrySA management are widely used and valued by the community for recreation.

ForestrySA is committed to responsible environmental management of plantation and native forests.

Its Forest Management System is certified to the internationally recognised Australian Forestry Standard for Sustainable Forest Management (AS 4708), now known as Responsible Wood. The Mount Lofty Ranges and Green Triangle forests are certified to this standard.



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BOARD,
GOVERNANCE
AND EXECUTIVE

FROM THE CHAIR

To the Minister for Primary Industries and Regional Development.

In accordance with the *Public Corporations Act 1993* and the *South Australian Forestry Corporation Act 2000*, I submit the Annual Report on ForestrySA's operations for the 2017-18 Financial Year.

The Corporation has the following three principal statutory functions:

- To manage plantation forests for commercial production;
- To encourage and facilitate regionally-based economic activities based on forestry and other industries; and
- To conduct research related to the growing of wood for commercial purposes.

During the year, the Corporation managed 13,903ha of plantation pine forests for commercial production primarily from the Mount Lofty Ranges, generating income of \$11.7m. With our objective to optimise economic value to regional communities, sales to domestic customers were \$8.7m or 75% of total log sales income. Export sales were \$3.0m, representing 25% of total log sales income. The log export program was driven by the need to liquidate fire-affected logs. With the planned cessation of the export program, ForestrySA remains committed to working closely with businesses in the local industry to further benefit the South Australian economy.

Subject to the *Forestry Act 1950*, the Corporation has the control and management of all forest reserves in South Australia and may issue leases of forest reserves if those reserves are not required for ForestrySA operations. In the Mid North forests of Wirrabara and Bundaleer, and in accordance with the Mid North Forests Future Strategy, ForestrySA has entered into several leases for sections of the Mid North forests for various approved purposes. These leases include provision for agricultural pursuits such as grazing and cropping, as well as the continuation of commercial forestry and subsequent support to the local wood processing industry.

Following the transfer of the management of the Green Triangle plantation forests to a private operator from 1 October 2015, ForestrySA's role in the region is now only to manage forest reserves and native forest reserves. In 2017-18 ForestrySA entered into an Agreement with the University of South Australia for forestry research activities and resources to be transferred from the Corporation to the

University's forestry research centre in Mount Gambier. This Agreement expires on 30 June 2021 and is funded from the Government's community service obligation allocation to ForestrySA.

In 2017-18 ForestrySA managed 39,208ha of forest reserves in South Australia and I am pleased to report that our recorded visitor numbers have for the first time exceeded 300,000, an increase of more than 30% on the previous year, demonstrating the growing public appreciation of these natural assets.

ForestrySA has a continued focus on facilitating and delivering public access in the Mount Lofty Ranges and Green Triangle regions. We have an unwavering commitment to safety and especially protection from fire. ForestrySA's preparation, training and investment in fire protection remain key components of our custodianship of the forestry assets. We also host an increasingly wide range of recreational activities within the forests, including nature-based attractions specifically aimed at educating children about our natural environment. We also must protect biodiversity and cultural heritage and provide for a range of community events.

I acknowledge and thank the former Chair, Ian Kowalick AM, for his outstanding contribution and leadership of the Board from January 2012 to December 2017, and Board member, Anne McEwen, who was appointed in August 2017 and served until the expiration of her term in July 2018.

Following the resignation of Jerome Coleman as Chief Executive, the Board appointed Julian Speed as Acting Chief Executive.

On behalf of the Board, I also acknowledge and extend thanks to management and staff for their ongoing commitment to the achievement of ForestrySA's purpose for the benefit of the economy and community of South Australia.



June Roache
Chair
24 September 2018

FROM THE ACTING CHIEF EXECUTIVE

The direct value offering of ForestrySA to the South Australian Government, as its shareholder, is the commercial management of the plantation forest estate. This remained the highest priority for the Corporation in 2017-18. ForestrySA successfully undertook a review of the overall silvicultural management of the Mount Lofty Ranges estate and determined to implement a number of positive management initiatives as a result.

Proactive management of this major asset is an imperative step in meeting the log supply requirements of the local wood processing industry. ForestrySA continued to shape the estate's footprint and average tree rotation age profile towards the most suitable mix to achieve this. In turn, maximising the production of high-value sawlog is a crucial component of strengthening the financial results of the Corporation in the long term.

ForestrySA has continued to actively review its scope of operations during 2017-18, including the assets and personnel necessary to carry on its core business functions since the significant downsizing of the organisation some three years ago. In addition to managing the plantation estate, ForestrySA also invested much time and effort into land management outcomes for the forest reserve areas in the state's Mid North. Other important tasks include coordination roles in the Green Triangle region with a focus on fire protection, community visitation and industry representation.

2017-18 was a productive period from a land management perspective, with a range of projects to upgrade visitor, camping and accommodation facilities well received by our stakeholders. These improvements are notable in both the Green Triangle and Mount Lofty Ranges regions, with the ever-increasing number of visitors to our forests now an integral part of our conscientious approach to land stewardship. This also continues to drive our management strategies to mitigate the ongoing risk of fire – not just to protect our own assets, but to play a valuable role as a good corporate citizen whenever we can assist others.

While ForestrySA staff, particularly our Forest Rangers, are to be commended for their dedication to these outcomes, I would also like to acknowledge the growing number of community members who volunteer their time and passion to assist ForestrySA.

Management of these important community assets is now very much a 'team effort.' A conscientious improvement to communicate more closely with neighbouring landholders is now being reflected by improved relationships and better general co-operation.

In recognition of these aspects of ForestrySA's social purpose, our strategic direction specifically includes increased collaboration with activity and event organisers to extract even more public value from these community assets.

I acknowledge and thank the dedicated staff, management and Board members for their assistance and contribution towards these achievements.



Julian Speed
FORESTRYSA
ACTING CHIEF EXECUTIVE

A handwritten signature in blue ink that reads "J Speed".

Julian Speed
Acting Chief Executive
24 September 2018

FORESTRYSA BOARD AT 30 JUNE 2018

The ForestrySA Board consists of three independent directors, including the Chair.



JUNE ROACHE

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

Board Chair

Ms June Roache was appointed as Chair and a Board Member of ForestrySA on 1 January 2018 having previously served as a Board Member and holding the position of Chair, Audit & Risk Committee. Ms Roache is an independent non-executive director with extensive business experience having held several senior executive roles including Chief Executive of SA Lotteries, and a number of governance roles including Vice President of the World Lottery Association and Chair of the Asia Pacific Lottery Association. She is currently a Commissioner of the Essential Services Commission of South Australia and the SA National Football League Inc, and a Board Member of the History Trust of SA. Ms Roache has a degree in accounting from the University of SA, a graduate certificate in management from Monash Mt Eliza Business School and is a Fellow of the Australian Institute of Company Directors, CPA Australia, and the Institute of Managers and Leaders.



SCOTT ASHBY

BA (Hons), GradDipSocSc, GradDipBusAdmin

Board member

Scott is the Chief Executive of the Department of Primary Industries & Regions SA. His senior executive experience includes Chief Executive, Department for Water; Chief Executive, Department for Water, Land and Biodiversity Conservation; Deputy Chief Executive, Department of Premier and Cabinet in SA; and various Executive positions in the Victorian Department of Primary Industries and the Victorian Department of Natural Resources and Environment. Scott is a member of the Senior Management Council, the SA Government ICT Board, State Emergency Management Committee, and the Public Sector Stewardship Committee. Scott is also a member of the University of Adelaide's Agribusiness Advisory Board and the University of Adelaide's People and Culture Committee.



ANNE MCEWEN

BA (Adelaide)

Board member

Anne was a Senator for South Australia from 2005 to 2016. During her time in the Senate, Anne was a member of numerous parliamentary committees including the Senate Environment, Communication and Arts Committee (Chair), Foreign Affairs, Defence and Trade Committee and Rural and Regional Affairs and Transport Committee. She was also Chief Government Whip and Chief Opposition Whip in the Senate and has extensive experience in the development of policy and legislation, government processes and parliamentary procedures. Anne is also a Director of Statewide Superannuation and Presiding Member of the SA Parks and Wilderness Advisory Council. She has recently completed a Master's Degree in International Business (Diplomacy and Trade) at Monash University.

BOARD AND GOVERNANCE

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 worked with management on the establishment of a Strategic Plan. The Board will monitor the performance of the organisation against the Strategic Plan as well as overseeing internal controls and risk management strategies. It approves and monitors performance against budgets and business strategies prepared by management, as well as providing leadership and support to the Chief Executive in the exercise of general management functions.

The Board is committed to the principles of sound corporate governance, delegating responsibility to the Chief Executive for implementation of the Strategic Plan, day-to-day business management and ensuring all staff continue to work with high ethical standards.

BUSINESS SUSTAINABILITY

The Board is committed to the long term sustainability of ForestrySA's business activities, operations, land stewardship and renewable forest resources, for the benefit of South Australia.

The Board is committed to maintaining ForestrySA's quality, environmental and safety management systems and certification to the Australian Forestry Standard for Sustainable Forestry Management AS 4708, now known as Responsible Wood, in the Green Triangle and Mount Lofty Ranges.

BOARD MEETING ATTENDANCE

Board members July 2017 – June 2018	Meetings attended	Eligible for attendance
June Roache Board Chair (1 January 2018 - 30 June 2018) Board Member (1 July 2017 - 31 December 2017)	4 4	4 4
Ian Kowalick Board Chair (1 July 2017 - 31 December 2017)	4	4
Scott Ashby Board Member (1 July 2017 - 30 June 2018)	6	7
Anne McEwen Board Member (1 August 2017 - 30 June 2018)	7	8

Eight SAFC Board Meetings were held during the 2017-18 year.

During the year no benefit was received by any member of the Board from any interest or involvement in ForestrySA's operations or activities, apart from approved Board remuneration.

In accordance with the *Public Corporations Act 1993*, all ForestrySA directors are required to disclose full and accurate details of direct or indirect personal or pecuniary interests in any matter under consideration by the Board. A conflict of interest declaration is called at each Board meeting and any issues regularly reviewed to ensure full compliance with the Act. Director Scott Ashby advised that as Chief Executive of PIRSA, the government agency managing the Mount Gambier Research Hub and the Mid North Forests Future Strategy, he has a conflict of interest in both matters and would be removed from considering or approving either matter.

BOARD AND GOVERNANCE CONTINUED

AUDIT AND RISK COMMITTEE

The South Australian Forestry Corporation Audit and Risk Committee has been established to assist the ForestrySA 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 & Young to provide an internal audit function 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

Audit and Risk Committee members July 2017 – June 2018	Meetings attended	Eligible for attendance
Anne McEwen Committee Member (1 August 2017 - 31 December 2017) Committee Chair (1 January 2018 - 30 June 2018)	3 2	4 2
June Roache Committee Chair (1 July 2017 - 31 December 2017) Committee Member (1 January 2018 - 30 June 2018)	4 2	4 2
Ian Kowalick Committee Member (1 July 2017 - 31 December 2017)	4	4
Scott Ashby Committee Member (1 July 2017 - 30 June 2018)	5	5

Six Audit and Risk Committee Meetings were held during the 2017-18 year.

FORESTRYSA CHARTER

In accordance with the requirements of the *Public Corporations Act 1993*, the following Charter for ForestrySA was effective for the reporting period 2017-18.

1. INTRODUCTION

- 1.1. This Charter has been prepared by the Minister for Forests and the Minister for Finance, following consultation with the South Australian Forestry Corporation, in accordance with Section 12 of the *Public Corporations Act 1993*.
- 1.2. This Charter should be read in conjunction with:
 - *The Public Corporations Act 1993*
 - *The South Australian Forestry Corporation Act 2000*
 - *The Forestry Act 1950*
 - *The Public Finance and Audit Act 1987*.
- 1.3. Expressions used in this Charter have the same meaning as in the *Public Corporations Act 1993*.
- 1.4. In this Charter, the South Australian Forestry Corporation is referred to as “the Corporation”.
- 1.5. This Charter sets out the Government’s strategic objectives, priorities and requirements for the Corporation.

PART 1: STRATEGIC POSITION

2. BOARD RESPONSIBILITIES

- 2.1. The Board of a public corporation is responsible to its Minister for Forests for overseeing the operations of the corporation with the goal of:
 - 2.1.1. securing continuing improvements of performance
 - 2.1.2. encouraging and facilitating regionally based economic activities based on forestry and other industries by protecting the long term viability of the corporation and the Crown’s financial interest in the corporation for the benefit of the people and economy of the State.

3. STRATEGIC-COMMERCIAL DIRECTIONS

- 3.1. The Government requires the Corporation, in fulfilling its statutory functions as set out in the *South Australian Forestry Corporation Act 2000*, to be a business enterprise with the principal responsibility to manage State-owned plantation forests to the benefit of the people and economy of the State, manage plantation forests for other forest owners and pursue the following strategic commercial directions:
 - 3.1.1. Manage State-owned plantation forests for commercial production in line with best practice standards for forestry operations and environmental management.
 - 3.1.2. Undertake, and where appropriate commercialise, forestry related research for the benefit of the Corporation and the State.
 - 3.1.3. Maximise the value of the Corporation whilst achieving other key requirements of Government set out herein.

FORESTRYSA CHARTER CONTINUED

4. ECONOMIC DIRECTIONS

The Government is committed to the ongoing development of the South Australian economy through mechanisms that foster:

- economic growth, investment and reinvestment in South Australia
- development of exports and entry to overseas markets
- research, development and commercialisation of technology
- implementing a strong information technology base.

To this end, the Corporation shall:

- 4.1. encourage and facilitate regionally based economic activities based on forestry and other industries
- 4.2. support regional resource protection initiatives and programs
- 4.3. support the concept of environmental sustainability which assists in the protection of natural assets and market accessibility
- 4.4. support cooperative research activities within the forestry industry.

5. GOVERNMENT POLICIES

- 5.1. In pursuing the strategic objectives in the context of the Government's directions, and undertaking its functions and exercising its powers, the Corporation shall act in accordance with the Government's:
 - 5.1.1. governance framework for public corporations
 - 5.1.2. policies generally applying to its commercial agencies
 - 5.1.3. policies specifically applying to the Corporation.
- 5.2. The Corporation in developing its operating policies shall have regard to other Government policies and strategies, and the roles and responsibilities of other Government agencies.

PART 2: THE CORPORATION'S OPERATIONS

6. COMMERCIAL OPERATIONS

- 6.1. General
For the purposes of the *Public Corporations Act 1993*, all operations of the Corporation are commercial operations, except for those operations referenced as non-commercial operations in Section 7.
- 6.2. Scope of Operations
The Corporation's principal operations will be based in South Australia.
- 6.3. Subsidiaries, Joint Ventures and Other Arrangements
With the approval of the Minister for Finance and the Minister for Forests, the Corporation may pursue commercial opportunities through subsidiaries, joint ventures or other appropriate arrangements, provided that the services delivered under the arrangements relate to forestry or ancillary services.

FORESTRYSA CHARTER CONTINUED

6.4. Investment Activities

The Corporation may invest:

- 6.4.1. in the development and continuation of the Corporation's business, consistent with this Charter and directly related to its legislative functions
- 6.4.2. surplus funds so as to maximise the return in accordance with sound investment practices appropriate to the nature of the funds invested.

7. NON-COMMERCIAL OPERATIONS

7.1. The Corporation's non-commercial operations, in terms of the *Public Corporation Act 1993*, include those operations which are:

- 7.1.1. Listed in Schedule 1 to this Charter.
- 7.1.2. Subject to an agreement between the Corporation and a purchasing Minister.
- 7.1.3. Agreed to be non-commercial by the Minister for Forests and the Minister for Finance.

7.2. The Corporation is required to perform all non-commercial operations efficiently.

7.3. Non-commercial operations are to be costed and funded in accordance with arrangements determined by the Minister for Forests and Minister for Finance.

PART 3: FINANCIAL AND COMMERCIAL MANAGEMENT

8. FINANCIAL AND COMMERCIAL MANAGEMENT

8.1. Performance Targets

The financial and commercial targets to be met by the Corporation shall be those set out in the annual Performance Statement.

8.2. Form and Content of Accounts and Financial Statements

The Corporation must prepare financial statements based on Australian Accounting Standards, generally accepted accounting principles and practices, including the Financial Management Toolkit and other applicable instructions of the Treasurer issued under the *Public Finance and Audit Act 1987*.

8.3. Accounting and Internal Auditing Systems and Practices

The Corporation must establish and maintain:

- 8.3.1. financial and accounting processes, practices and systems in accordance with appropriate standards of practice
- 8.3.2. effective internal auditing of its operations in accordance with appropriate standards of practice and the *Public Corporations Act 1993*.

FORESTRYSA CHARTER CONTINUED

8.4. Reports on Operations

In addition to statutory reporting, the Corporation must provide the following reports to the ForestrySA Board, and therefore enable review by the Treasurer's Representative of:

- 8.4.1. Quarterly performance monitoring report, including Statement of Comprehensive Income, Statement of Financial Position, Capital Investment Statement and Statement of Cash Flows and a quarterly report detailing the Corporation's operations for year to date, detailing actual year to date performance against year to date revised budget and full year estimated performance against full year revised budget and full year original budget for revenue and expenditure items.
- 8.4.2. Other information as requested from time-to-time by the Minister for Forests, Treasurer or the Minister for Finance.
- 8.4.3. Exception reports on any other information which in the opinion of the Board should be provided.

8.5. Asset Management

- 8.5.1. The Corporation must develop Asset Management Plans reflecting prudent commercial practice.
- 8.5.2. The Corporation shall consult other agencies and take account of any Government requirements in the disposal of surplus land (excluding easements) and buildings.
- 8.5.3. The Corporation will undertake appropriate risk management actions.

SCHEDULE ONE

NON-COMMERCIAL OPERATIONS

The following activities of a non-commercial nature shall be performed by the Corporation:

- Native forest management
- Community use
- Forestry industry development
- Community protection (including fire) and forest industry support activities
- Other activities as directed by the Minister for Forests
- Management of the Mid North forests

PERFORMANCE TARGETS

The ForestrySA Charter mandates that all financial and commercial targets to be met by the Corporation are set out in an annual Performance Statement. ForestrySA's 2017-18 performance targets and outcomes are listed below:

	Performance targets 2017-18	Actual outcomes 2017-18
Profit/(Loss) before Tax - Excluding Revaluation	-	(\$4.123m)
Standing Timber Revaluation	-	\$5.583m
Subsidy Funding	\$4.681m	\$4.534m
Notifiable Incidents - EPA	0	0
Notifiable Incidents - WH&S	0	1
Lost time injury frequency rate (ForestrySA staff)	0	35.27 hours
Maintain AFS certification for the Mount Lofty Ranges	Yes	Yes
Area of Gazetted Native Forest Reserve covered by a Management Plan	100%	100%

ORGANISATIONAL STRUCTURE



A close-up photograph of a pine tree branch, showing several young, upright growth tips (shoots) with vibrant green needles. The background is a soft, out-of-focus green, suggesting a dense forest. The lighting is bright and natural, highlighting the texture of the needles and the structure of the shoots.

FORESTRYSA OPERATIONS

PLANTATION MANAGEMENT

ForestrySA's commercial program involves management of more than 10,000ha of pine plantation in the Mount Lofty Ranges.

Commercial harvesting operations have continued to focus on completing an elevated first thinning program, particularly targeting delayed first thinning plantations, felling old plantations containing large trees already past their optimum size for the region's domestic market, and felling non-radiata pine plantations while export sales continued during 2017-18.

Below average rainfall conditions were experienced throughout most of the 2017-18 period, with dry summer conditions prevailing from October through to mid-June.

Severe, damaging winds in mid-April caused significant tree damage in exposed young age plantations across the estate, predominantly impacting Sampson Flat fire re-plant plantations. A large-scale tree straightening program was implemented in response to this damage event.

The commercial forest is a renewable resource. A total of 531ha of radiata pine was planted in 2017-18, with minor re-filling of understocked 2016 plantations. Harvested areas are subsequently replanted. Despite the dry summer conditions, tree survival in the 2017 plantations averaged 90% survival. Further progress was made re-establishing plantations destroyed by the 2015 Sampson Flat fire event. This re-establishment program remains on schedule to conclude during 2018.

No radiata plantation loss to fire occurred during the 2017-18 fire season despite being exposed to multiple threatening fire incidents in and around the forest estate during the protracted fire season.

An integrated approach to noxious weed control has once again continued within both plantation and native forest areas. The main target weed species include cape broom, gorse, boneseed, blackberry and pine wildings growing among native forest.

ForestrySA's commitment and continuous improvement in managing the forest estate to the Australian Forestry Standard (Responsible Wood) continued ensuring the protection of Indigenous, heritage, social and environmental values during commercial harvesting, plantation establishment and maintenance operations.

FOREST STATISTICS

	At 30 June 2018 (ha)	At 30 June 2017 (ha)
Standing plantation area ¹		
Radiata pine	9,868	10,609
Other	565	1,084
TOTAL	10,433	11,693
Natural features area ²		
Proclaimed Native Forest Reserves	12,688	16,077
Natural features	6,887	7,040
TOTAL	19,575	23,117
Owned land area ³		
Plantation	14,788	15,721
Natural features	19,575	22,913
Non-forest	4,845	4,951
TOTAL	39,208	43,585

¹ Applicable to Mount Lofty Ranges only and consistent with Defined Forest Area. ² Does not include 3,531.56ha transferred to the Department for Environment and Water as part of the Mid North Forests Future Strategy. ³ These figures do not include SAWater land, but do include land in the Mid North.

PLANNING AND PRODUCTION

PLANTATION RESOURCE PLANNING

Significant progress has been made over the past 12 months reviewing overarching aspects of ForestrySA's plantation resource management program including consideration of the current age structure, thinning status, sustainable annual cut and commensurate future marketing opportunities.

Specific reforms geared towards further optimising commercial outcomes introduced during the 2017-18 period include:

- Introducing a commitment to transition to shorter plantation rotation lengths, nominally 34 years, and applying a matching silvicultural regime involving two commercial thinnings.
- Placing an additional 25,000m³ p.a. of predominantly small industrial log into the domestic market for the next three years post June, 2018.

The cornerstone of resource planning is future yield prediction based on a set of site specific biometric models. Together with a regular inventory program, benchmarking can be provided against predictions and an indication of product mix matched with customer demand.

Staffing changes and associated key person risk experienced in recent years have highlighted the need to move to more industry standard systems. The additional requirement for product prediction has precipitated a resolve to transition from the bespoke in-house Yield Regulation System (YRS) that has served ForestrySA well for decades but has limitations in regard to user interface and product discrimination.

The focus in the coming years will be to transition from the current YRS to an alternative, offering a more complete solution in regard to operability, product prediction and value optimisation. This will necessitate implementation of biometrics specific to the forest estate based on models developed using the Permanent Sample Plot data base.

This associated change and development will result in a system better adapted to the current business environment, mitigate business risk and increase visibility for aligning the forest resource to customer requirements.

TOTAL LOG PRODUCT

Product	Mount Lofty Ranges		Mid North	
	2017-18 (m3)	2016-17(m3)	2017-18 (m3)	2016-17 (m3)
Sawlog	80,100	77,991	2,475	9,175
Industrial	46,314	36,106	6,272	7,754
Total log	126,414	114,097	8,747	16,929
Pulpwood	18,455	23,505	-	-
Preservation	7,550	6,880	398	2,039
Total pulp	26,005	30,385	398	2,039
TOTAL	152,420	144,482	9,146	18,968

MARKET AND SALES

ForestrySA's commercial sales program continued to focus primarily on fulfilling log supply commitments with the relatively small regional sawmill and wood products industry. Coupled with the planned withdrawal from bulk log export sales post June 2018, ForestrySA has used this opportunity to further its commitment to strengthen sustainable relationships with regional customers.

Demand for log within the local industry again increased modestly during the 2017-18 period. This position is forecast to continue.

In line with ForestrySA's withdrawal from commercial activities in the state's Mid North, regional log sales declined 52% from the previous year.

Sawlog supply to customers in the Mount Lofty Ranges increased modestly during the period and remains aligned with the forecast annual sustainable cut level. Large diameter sawlog sales remained high, promoted by ForestrySA's targeting of final felling of old mature plantations.

Industrial log sales increased 28% over the past 12 months, promoted by the continuation of export sales while regional customer demand remained stable.

Preservation log sales (for rails, posts and fence strainers) showed a modest increase, with supply remaining below regional market demand. The region's preservation market is expected to remain strong presenting reasonable opportunity to continue targeting on-time first thinning of young age plantations.

Total log export volumes (international sales via deliveries to Inner Harbour, Port Adelaide) were 19,500m³ during 2017-18, a significant reduction in comparison to previous years.

ForestrySA must continue to negotiate the challenges of managing the Mount Lofty Ranges estate sustainably with a best-in-class approach; maintaining the all-important social licence to operate as well as staying at the cutting edge of an innovative and modern industry.

RESEARCH AND FOREST HEALTH

ForestrySA has a Charter including, but not limited to, the management of commercial plantations and biodiversity conservation. The rich history of plantation and native forest management is supported by effective forest health and research programs.

Ongoing efforts to protect and enhance the health of forests through the management of weeds, pests and diseases, wildfire, rubbish dumping and illegal activities remain a constant focus.

ForestrySA uses several strategies to identify the insect pests and diseases that affect the growth, health and survival of plantations. Aerial forest health surveys of the softwood plantation estate are carried out as required, usually biennially. Drone technology is also being used for more localised plantation assessments.

The most significant insect pest in the Mount Lofty Ranges region's softwood plantations is the Sirex Wood Wasp (*Sirex noctilio*) which is kept at low levels with biological control using nematode (*Beddingia siricidicola*) inoculation. The annual inoculation program typically finishes in June and follow up is done towards the end of the same year. No incidence of Giant Pine Scale (*Marchalina hellenica*) has been observed in ForestrySA's plantation estate.

Weed control forms a critical component of forest health. In the past year, noxious weed control maintenance was conducted in conservation and plantation areas at 107 sites across 1,010ha.

FOREST RESEARCH 2017-18

The long and demonstrated record of research and development focused on need and innovation has served the Corporation well. The funding mechanism is provided largely by the SA Government's Community Service Obligation contribution.

The launch of the Mount Gambier Hub of the National Institute for Forest Products Innovation this year, heralds a major advance in the research capabilities for both the South Australian and the wider Australian forestry industry.

Collaboration in projects involving the University of South Australia and Forests and Wood Products Australia have evolved and offer promising long term outcomes including:

- Tree water use measurement.
- Evaluation of fire tower camera detection system at Mount Burr.
- Low cost remote sensing for mapping and timber volume estimation.
- Growth and yield models developed using LiDAR metric change analysis as a predictor for future yield.
- Fusion of LiDAR, thermal infrared and hyperspectral imaging to assess structure and health of trees.

Other research projects include:

- *Eucalyptus leucoxydon* seed source trial to determine suitability for farm forestry. Replicated trials in Bundaleer, Mount Crawford, Kuitpo and Wattle Range.
- Manuka honey trial in Wirrabara Forest. Joint research is being undertaken by Spring Gully Foods, PIRSA and SARDI trialling suitability of *Leptospermum scoparium* shrubs for honey production in a low rainfall environment.

For more detailed information about these projects, view the PIRSA Memorandum of Administrative Arrangement for the provision of Community Service Obligations by ForestrySA available at forestrysa.com.au/publications.

FIRE

FOREST FIRE PROTECTION

While the fire danger season was busy across other parts of South Australia, the 2017-18 season was an average one for ForestrySA with minimal impact on assets and nearby communities.

ForestrySA has responsibility for fire prevention, protection and suppression activities on land managed by ForestrySA, and is committed to supporting fire management activities with other fire agencies, industry and the community by:

- Meeting fire-related legislative responsibilities.
- Reducing the risk of damage from fire to life, property and community assets.
- Managing the ecological viability of a species or a community of species via prescribed burning activities.
- Influencing government policies and regulatory environments relating to fire.
- Influencing fire management outcomes on lands adjacent to Forest Reserves.
- Maintaining ForestrySA's presence in the community.

All ForestrySA fire operations align with the following community priorities established by the Country Fire Service (CFS):

- Protection of the health and safety of firefighters and emergency service personnel.
- Protection of life.
- Protection of the environment.

ForestrySA attended a total of 25 fires across South Australia during the 2017-18 fire danger season.

Four of these fires were caused by lightning strikes and the remainder were either accidentally or deliberately lit.

In the Green Triangle, the Forest Owners' Conference (FOC) Spotter Plane was on active standby for 17 days and flying its flight path for 16 days over the course of the season, amounting to 73 hours' flying time.

This also included the successful operation of the fire tower network. The fire response across the season was active for 134 days in the Green Triangle and 137 days in the Mount Lofty Ranges.

ForestrySA continued to work collaboratively with other forest owners, particularly in the Green Triangle region.

ForestrySA continues to participate in the Heads of Agencies for Public Land Fire Management Committee, the State Bushfire Coordination Committee, Regional Bushfire Management Committees, CFS committees, AFAC national committees including the Forest Fire Management Group, Rural and Land Managers and Fire Equipment Development Officers groups.

FIRE CONTINUED

COMMUNITY FIRE PROTECTION

ForestrySA maintained a fire management capability to both meet its responsibilities under legislation and to reflect best practice in fire management. This included fire management activities with other agencies, quick and efficient response to fires threatening assets and supporting the communities that neighbour ForestrySA land.

This fire management capability included the addition of three Quick Response Vehicles which include state-of-the-art fire and safety features.

Fire protection of the community is enhanced through the annual program of fire break and track maintenance, prescribed burning and protection work which is carried out throughout ForestrySA managed land.

This includes maintaining a capability to undertake prescribed burning to meet forest management, risk reduction, biodiversity and cultural objectives. Prescribed burns reduce the hazard in areas of native forest, help to protect adjoining assets and contribute to biodiversity conservation objectives.

In 2017-18, prescribed burning was successfully undertaken in both the Mount Lofty Ranges and the Green Triangle. This included strategically important prescribed burns in native vegetation at Mount Crawford, Kuitpo and Honan Native Forest Reserve.

ForestrySA continues to participate in the fire cooperatives established under the Code of Practice for Fire Management on Public Lands, to which ForestrySA is a signatory.

A thorough review and update was undertaken on the ForestrySA Fire Management Plan and Manual. Both are important documents critical to ensuring maintenance of a rigorous and efficient approach to fire management.

Ongoing residue burning associated with commercial plantation reestablishment reduced fuel levels predominantly during autumn and early winter 2018 in the Mount Lofty Ranges.

Communication and engagement with stakeholders is an important part of ForestrySA's business and is an integral part of its certification.

ForestrySA remains committed to undertaking fire management responsibilities to deliver the best possible safety, environmental, asset protection and financial outcomes.

COMMUNITY FORESTRY

Performance measures	2017-18	2016-17
Forest visitors (recorded)	328,424	243,447
Permits issued	Total permits issued: 6,365 Total people covered by permits: 34,501	Total permits issued: 6,504 Total people covered by permits: 24,024
Forest events	221	254
Ranger FTE delivered	6	6
Field days, tours and presentations to the public providing information and interpretation of natural history and forest management	8	10
Groups actively engaged	31	31
Community engagement hours recorded (approx.)	9,872	9,500
Forest education programs supported	5	5
Area of watercourse and wetland buffer zones	119.8ha	116.3ha

COMMUNITY USE OF FOREST RESERVES

Visitor numbers reached an all-time high during 2017-18, with more than 300,000 people visiting ForestrySA forest reserves in the Mount Lofty Ranges, Green Triangle and Mid North.

ForestrySA continues to promote a range of recreational activities across the Mount Lofty Ranges. Hiking, horse riding, camping and large-scale community events such as the Nature Play children's festival, BikeSA Dirty Weekend and motorsport rallies have attracted large crowds to the Kuitpo and Mount Crawford Forests.

Ghost Mushroom Lane in the Green Triangle region opened to the public for the second consecutive year, attracting more than 20,000 visitors in just eight weeks during May and June.

Mount Crawford Forest's Cudlee Creek Forest Reserve is home to world-class mountain bike trails. The area's popularity continues to build as the region is further developed as an international mountain bike riding destination.

ForestrySA has continued its partnerships with the South Australian Government, organisations and volunteer groups to achieve this end, while promoting domestic recreational use and competitive events.

The Cudlee Creek trail network was expanded during 2017-18, with the development of two new competition-grade downhill mountain bike trails. This work was completed with funding through an Office for Recreation and Sport – Facilities grant.

Two new cross-country mountain bike trails were also established, while volunteer support from the Friends of the Forests and Human Projectiles community groups facilitated further trail development and installation of interpretive signage.

COMMUNITY FORESTRY CONTINUED

Visitor amenity and facility upgrades have also been a focus in the Mount Lofty Ranges during the last 12 months.

New toilets have been constructed at the Rocky Paddock, Chalks and Chookarloo Campgrounds, and a kitchen upgrade completed at Thomas Hill House. A new bridge built at Chalk's Creek waterhole boardwalk has significantly improved access to the site.

Four new forest trails were established in the Kersbrook area as part of ForestrySA's new Mount Lofty Ranges Trails network, while the Green Triangle's Honan Mint Trail was completed and opened for use during November 2017.

Visitor information and signage has also been upgraded at the Mount Crawford Information Centre.

The Mid North Forests Future Strategy continued during 2017-18, with a significant portion of ForestrySA's Wirrabara Forest Reserve transitioned to management by the Department for Environment and Water (DEW). This includes 3,531ha of native forest, the historic Wirrabara Forest Headquarters and work depot, Ippinitchie Campground, Wirrabara Picnic Ground and Old Wirrabara Nursery.

For more detailed information about the many community activities and events held on ForestrySA land during 2017-18, download the PIRSA Memorandum of Administrative Arrangement for the Provision of Community Service Obligations by ForestrySA from www.forestrysa.com.au/publications.

SUPPORTING OUR COMMUNITIES

PROUDLY SUPPORTING COMMUNITY ENDEAVOURS

ForestrySA maintains an annual sponsorship program and is very proud to support the communities in the areas in which we do business, across the Mount Lofty Ranges, Green Triangle and Mid North.

Recipient	Event / cause
Adelaide International 3 Day Event 2017	Supply of timber for course construction
Nature Play Festival in the Forest 2018	Forest access permit fees waived and in-kind support provided for this children's event which draws thousands of people to Kuitpo Forest
Pines Enduro 2017	Forest access permit fees waived and in-kind support provided for off-road racing event held in the Mount Burr Forest near Mount Gambier
BikeSA Dirty Weekend and Dirty Days Mountain Bike Series 2018	Sponsorship and support for SA's premier mountain bike events, held at ForestrySA's Cudlee Creek and other Mount Lofty Ranges forest locations
Gottstein Trust	Patron
Institute of Foresters of Australia Conference 2017	Sponsorship of the Innovative Forest Industry Development Field Day, Cairns
Science and Engineering Challenge 2018	Donation to support the Mount Gambier event which is delivered to high schools by the University of Newcastle
44th Annual Wirrabara Publican's Golf Day 2017	Donation to the popular Mid North community event which benefits the Royal Flying Doctor Service
Glencoe Football Netball Club	Sponsorship of the club, which is located in close proximity of Green Triangle recreational areas Ghost Mushroom Lane, the Honan Mint Walking Trails and Lake Edward
Port MacDonnell Offshore Angling Club	Sponsorship of annual Tuna Sportsfishing Competition, which draws thousands of people to the Green Triangle annually
Christmas Party for Special Children 2017	Sponsorship for two special needs children to attend the party at the Adelaide Zoo

FINANCIAL REPORT



SOUTH AUSTRALIAN FORESTRY CORPORATION
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$'000	2017 \$'000
Income			
Sales - timber products		11,716	14,180
Sales - management services		-	121
Revenues from SA Government	4(i)	9,243	10,138
Interest	4(ii)	286	233
Other income	4(iii)	830	1,161
Total income		22,075	25,833
Expenses			
Employee benefits	6	4,656	4,496
Contractors		10,733	11,134
Depreciation and amortisation	12, 14	1,181	1,506
Materials		674	559
Equipment and vehicle costs		709	772
Council rates		319	293
Impairment of assets		-	90
Other expenditure	4(v)	6,808	6,983
Net loss from the disposal of non-current assets	4(iv)	1,118	436
Total expenses		26,198	26,269
Trading profit/(loss) before revaluation of forest assets		(4,123)	(436)
Net change in value of forest assets	11	5,583	6,936
Profit/(loss) before income tax equivalent		1,460	6,500
Income tax equivalent expense	5	-	-
Profit/(loss) after income tax equivalent	7(ii)	1,460	6,500
Other comprehensive income			
Land revaluation recorded in asset revaluation surplus	12	242	-
Total other comprehensive income		242	-
Total comprehensive result		1,702	6,500

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

SOUTH AUSTRALIAN FORESTRY CORPORATION
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	2018 \$'000	2017 \$'000
Current assets			
Cash and cash equivalents	7	13,707	13,685
Receivables	8	6,956	10,171
Inventories	9	1,486	319
Forest Assets	11	2,993	5,111
Assets classified as held for sale	10	6,006	55
Total current assets		31,148	29,341
Non-current assets			
Forest Assets	11	40,497	32,796
Property, plant and equipment	12	46,287	53,022
Intangible assets	14	161	567
Total non-current assets		86,945	86,385
Total assets		118,093	115,726
Current liabilities			
Payables	15	3,227	2,441
Employee benefits	16	440	539
Deferred income	17	234	269
Other provisions	18	102	232
Total current liabilities		4,003	3,481
Non-current liabilities			
Payables	15	88	97
Employee benefits	16	568	628
Deferred income	17	1,241	770
Other provisions	18	154	413
Total non-current liabilities		2,051	1,908
Total liabilities		6,054	5,389
Net assets		112,039	110,337
Equity			
Other reserves	19	77,250	72,002
Retained earnings	19	34,789	38,335
Total equity		112,039	110,337
Commitments and contingencies			
Unrecognised contractual commitments	21		
Contingent liabilities and assets	21		

SOUTH AUSTRALIAN FORESTRY CORPORATION
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
		Inflows	Inflows
		(Outflows)	(Outflows)
Note		\$'000	\$'000
Cash flows from operating activities			
	Receipts from customers	17,109	19,424
	Payments to suppliers and employees	(26,250)	(25,992)
	Interest received	290	233
	Receipts from SA Government	9,243	3,872
	GST refunded from Australian Taxation Office	496	287
	Net cash flows from operating activities	888	(2,176)
Cash flows from investing activities			
	Purchase of property, plant & equipment	(455)	(421)
	Purchase of intangible assets	(9)	(143)
	Proceeds/(payments) from/(for) disposal of assets	(402)	236
	Net cash flows from investing activities	(866)	(328)
Cash flows from financing activities			
	Dividend paid	-	(3,570)
	Net cash flows from financing activities	-	(3,570)
	Net increase/(decrease) in cash held	22	(6,074)
	Cash and cash equivalents at the beginning of the period	13,685	19,759
	Cash and cash equivalents at the end of the period	13,707	13,685

SOUTH AUSTRALIAN FORESTRY CORPORATION
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Asset revaluation surplus \$'000	Forest Assets reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2016	39,166	25,994	42,247	107,407
Impairment of property, plant and equipment prior to restructure	-	-	-	-
Gain/(loss) on revaluation	-	-	-	-
Net income/expense recognised directly in equity	-	-	-	-
Profit/(loss) for the period	-	-	6,500	6,500
Total comprehensive result for 16-17	-	-	6,500	6,500
Transfers to/(from) equity	(94)	6,936	(6,842)	-
Transactions with Government as owner				
Dividends paid/payable	-	-	(3,570)	(3,570)
Total change for the period	(94)	6,936	(3,912)	2,930
Balance at 30 June 2017	39,072	32,930	38,335	110,337
Impairment of property, plant and equipment prior to restructure	-	-	-	-
Gain/(loss) on revaluation	242	-	-	242
Net income/expense recognised directly in equity	242	-	-	242
Profit/(loss) for the period	-	-	1,460	1,460
Total comprehensive result for 17-18	242	-	1,460	1,702
Transfers to/(from) equity	(577)	5,583	(5,006)	-
Transactions with Government as owner				
Dividends paid/payable	-	-	-	-
Total change for the period	(335)	5,583	(3,546)	1,702
Balance at 30 June 2018	38,737	38,513	34,789	112,039

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 2018

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

Green Triangle agency arrangement

Up to 30 September 2015 ForestrySA managed the forest plantations for OneFortyOne Plantations Pty Ltd (OFO). OFO engaged the SA Treasurer to manage the plantations under a Plantation Management Agreement (PMA) in return for a management fee. Under a Memorandum of Administrative Arrangements, ForestrySA was required to perform the obligations of the former Treasurer in accordance with the PMA.

- Under the PMA, ForestrySA managed silviculture operations for OFO in return for a fee comprising two components:
 - I. Direct charges. While some silviculture expenses were paid directly by OFO, other expenses were incurred and paid by ForestrySA on behalf of OFO. These are recognised as expenses of ForestrySA in the Statement of Comprehensive Income.
 - II. General Overhead Charges (GOC) were paid by OFO to ForestrySA.

Recoveries of expenses and GOC from OFO under the PMA are disclosed in the Statement of Comprehensive Income as sales - management services.

- The operations deed between the former Treasurer and OFO requires the performance, among other things, of specified fire management functions. ForestrySA provided these functions to OFO under the PMA.
- ForestrySA has required 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 former Treasurer as part of the forward sale. The arrangement for the provision of this funding resulted in a trading loss of \$4,123,000 in 2017-18 (2016-17: trading loss of \$436,000) before the revaluation of Forest Assets (previously reported as Standing Timber).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

South Australian Forestry Corporation for the year ended 30 June 2018

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.

(b) Basis of preparation

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 of judgement, or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes.
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.
- 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 23.
 - 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.

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 historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2018 and the comparative information presented.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

South Australian Forestry Corporation for the year ended 30 June 2018

(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 ForestrySA has applied an accounting policy retrospectively; retrospectively restated items in the financial statements, reclassified items in the financial statements, financial statements have been amended and 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) Taxation

In accordance with Treasurer's Instruction 22 Tax Equivalent Payments, ForestrySA is required to pay to the SA Government an income tax equivalent. The income tax liability is based on the State Taxation Equivalent Regime, which applies the accounting profit method. This requires that the corporate income tax rate be applied to the net profit. The current income tax liability relates to the income tax expense outstanding for the current period.

ForestrySA is liable for payroll tax, fringe benefits tax and goods and services taxes (GST), emergency services levy, land tax and local government rates.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable.
- receivables and payables, which 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 recoverable from, or payable to, the Australian Taxation Office is classified as part of operating cash flows.

(g) Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

South Australian Forestry Corporation for the year ended 30 June 2018

(h) 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. Forest Assets that are expected to be harvested within 12 months after the reporting date have been classified as a current asset, while Forest Assets expected to be harvested more than 12 months after the reporting date, have 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.

(i) Non-Current Assets

Acquisition and recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value after allowing for accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements then the assets are recognised at book value i.e. the amount recorded by the transferor immediately prior to transfer.

Where the payment for an asset is deferred, ForestrySA measures the obligation at the present value of the future outflow, discounted using the interest rate of a similar length borrowing.

All non-current tangible assets with a value equal to or in excess of \$10,000 are capitalised.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is equal to or in excess of \$5 million for infrastructure assets and \$1 million for other assets

Depreciation and amortisation

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 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
Intangibles	Straight line	1-3

NOTES TO THE FINANCIAL STATEMENTS (Continued)

South Australian Forestry Corporation for the year ended 30 June 2018

Revaluation of non-current assets

Land was revalued as at 30 June 2018, while buildings and structures were revalued as at 30 June 2016, 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 performed by Land Services SA is 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, Land Services SA determines the site and capital values on an annual basis as at 1 January each year. These statutory values, which take effect from 1 July of the same year, 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 Land Services SA in 2018.

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 2016.

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.

ForestrySA has taken the exemption available under Accounting Policy Framework III Asset Accounting Framework paragraph APS 3.18 to take asset revaluation adjustment to the asset revaluation surplus on a class basis rather than an individual asset basis.

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.

Fair value measurement

AASB 13 *Fair Value Measurement* 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 Chief Finance Officer and Audit Committee at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

South Australian Forestry Corporation for the year ended 30 June 2018

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, and financially feasible)

ForestrySA's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible within the next five years. As ForestrySA did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years are deemed to approximate fair value. Refer note 13 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

ForestrySA engaged Margules Groome Consulting Pty Ltd to establish the valuation for its plantation estate in the Mt Lofty Ranges as at 30 June 2018. Margules Groome is a consultancy focusing on the forestry, bio solutions, wood products, pulp and paper and agriculture sectors with services including corporate finance, strategy and sustainability, market analysis and insight, operations and technical solutions. Margules Groome is jointly Australian and New Zealand owned and provides services internationally.

The valuation processes and fair value changes are reviewed by the Board at each reporting date.

Impairment

ForestrySA holds its property, plant and equipment and intangible assets for their service potential (value in use).

All non-current tangible assets are valued at fair value. Specialised assets would rarely be sold and typically any costs of disposal would be negligible; accordingly, the recoverable amount will be close to or greater than fair value.

ForestrySA also expects for all other non-current tangible assets that any costs of disposal will be negligible, and the recoverable amount to be close to or greater than fair value.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. ForestrySA only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10,000.

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

Subsequent expenditure on intangible assets has not been capitalised. This is because the authority has been unable to attribute this expenditure to the intangible asset rather than to the authority as a whole.

Biological Assets

Biological Assets (Forest Assets, previously reported as Standing Timber) are valued under the Net Present Value (NPV) income approach. This policy is in accordance with the requirements of AASB 141 *Agriculture* and all amounts are calculated in pre-tax dollars. The income or NPV approach is considered appropriate for the valuation of Forest Assets and is consistent with industry best practice for valuation of Forest Assets. ForestrySA has assessed the highest and best use for Forest Assets 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

South Australian Forestry Corporation for the year ended 30 June 2018

The methodology was approved by the Acting Treasurer in 2013-14 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 and future rotations, given current management strategies and timber recovery rates;
- Both the current crop and future rotations are valued. This is on the basis that the future rotations form part of the sustainable business activity of ForestrySA as a going concern and therefore form part of the consideration of fair value in accordance with its definition in AASB 13 *Fair Value Measurement*. The cash flow analysis is based on the anticipated timing of the harvest of the tree crop, which has been developed in the context of sustained yield management;
- AAB 141 *Agriculture* can be interpreted to require cash flows to be considered only for current living biological assets. As a result, the discount rate has been amended to equate the value of the current rotation's cash flows to the long-term cash flows including future rotations;
- 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 reflective of estimated future prices, based on current understanding of the market forces impacting historical prices.

The NPV approach takes the real cash flows from the sale of Forest Assets over a model duration of 60 years. The existing market price for the sales of timber is assumed less reasonable costs to sell 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 replanting expenses after the expiry of the model 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 Forest Assets does not include a terminal value.

The discount rate used is 7.0% (2017: 8.5%) (pre-tax real) for the long-term cash flows, increased to 9.4% to consider current rotation only. This 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 Forest Assets held at the reporting date and the fair value at the previous reporting date, after allowing for Forest Assets acquired and purchased Forest Assets harvested, is recognised in the Statement of Comprehensive Income as the net change in value of Forest Assets. All forest expenditure is recognised as an expense in the year it is incurred. The change in value is disclosed in Note 11.

The net change in the value of Forest Assets is accounted for in the Forest Assets reserve.

The volume of Forest Assets 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. Where available, 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 timely intervals. The inventory master database is updated as new inventory becomes available 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 January 2017.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

South Australian Forestry Corporation for the year ended 30 June 2018

In 2017-18 ForestrySA changed its accounting policy in relation to the valuation of Forest Assets. The valuation was previously based on a single forest rotation and is now based on multiple rotations. The change in accounting policy has been applied retrospectively and comparative information in relation to the 2016-17 financial year has been restated accordingly. Further details of the changes and a comparison of the original reported figures to the revised reported figures has been disclosed in Note 26.

(j) Liabilities

Employee Benefits

These 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.

Salaries and wages, annual leave, skills and experience retention leave (SERL) and sick leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and the SERL liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

Long service leave

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.

The unconditional portion of the long service leave provision is classified as current as ForestrySA does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement.

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

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased assets.

(k) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

South Australian Forestry Corporation for the year ended 30 June 2018

(I) Insurance

ForestrySA has arranged, through the SA Government Captive Insurance Corporation (SAICORP), to insure all its major insurable 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. In addition, ForestrySA is self-insured for workers compensation.

3 NEW AND REVISED ACCOUNTING STANDARDS AND POLICIES

In 2017-18 ForestrySA changed its accounting policy in relation to the valuation of biological assets (Forest Assets, previously reported as Standing Timber). The valuation was previously based on a single forest rotation and is now based on multiple rotations. The change in accounting policy has been applied retrospectively and comparative information in relation to the 2016-17 financial year has been restated accordingly. Further details of the changes and a comparison of the original reported figures to the revised reported figures has been disclosed in Note 26.

As at the date of the authorisation of the financial report, the expected impacts on new or amended Australian Accounting Standards issued but with future effective dates are set out below:

Reference	Title and date of standard application	Summary	Impact on financial statements	Application date for FSA
AASB 16	Leases 1 Jan 2019	<p>This new standard introduces a single accounting model for lessees.</p> <p>The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.</p> <p>A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset, and a lease liability representing its obligations to make lease payments.</p> <p>The right-of-use asset will be initially recognised at cost, consisting of the initial amount of the associated lease liability, plus any lease payments made to the lessor at or before the effective date, less any leave incentive received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The right of use assets will give rise to depreciation expense.</p> <p>The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease payments will no longer be</p>	<p>Vehicle Lease expenses in 2017-18 were \$260,000. Lease commitments (refer Note 21) were \$974,000 over 5 years. If these leases were accounted for in accordance with the new AASB 16, then the following indicative impacts would occur:</p> <ul style="list-style-type: none"> • Right of use assets would be recognised with a value of approximately \$900,000; • Depreciation expense of approximately \$225,000 per annum; • Lease liabilities of approximately \$900,000 with implicit finance charges of an average of \$35,000 per annum. Finance charges are front-loaded in the lease schedule, and as the vehicle fleet is rotated, this will result in fluctuations from year to year; • Principal repayments of an average of \$225,000 per annum. These are back-loaded in the lease schedule and as the vehicle fleet is rotated, this will result in 	1 July 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

South Australian Forestry Corporation for the year ended 30 June 2018

		<p>expenses in the Statement of Comprehensive Income on a straight-line basis. Rather, they will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will be recognised as an expense.</p> <p>Further, the classification of cash flows will be affected as operating lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively. Currently, operating lease payments are presented as operating cash flows.</p> <p>AASB 16 allows a 'cumulative approach' rather than full retrospective application to recognised existing operating leases. If a lessee chooses to apply the 'cumulative approach', it does not need to restate comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of accumulated surplus at the date of initial application.</p>	<p>fluctuations from year to year.</p>	
AASB 15	Revenue from Contracts with Customers 1 Jan 19	<p>AASB 15 will replace AASB 118 and AASB 111.</p> <p>AASB 15 introduces a five-step process for revenue recognition with the core principle being to recognise revenue 'when control of a good or services transfers to a customer'. This is effectively when performance obligations have been met, rather than the former model of 'where the risks and rewards of ownership reside'.</p> <p>AASB 15 will result in increased disclosures about revenue.</p> <p>AASB allows a 'cumulative approach' rather than a full retrospective application. If the 'cumulative approach' is applied, there is no need to restate comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance</p>	<p>New Log Sales Agreements coming into effect on 1 August 2018 contain clauses which guarantee up to 85% of the value of the Contracted Annual Log Supply as income to ForestrySA, even if the customer fails to achieve the agreed monthly purchase volumes.</p> <p>Under current standards, income is recognised monthly at the time that invoices are raised for actual logs delivered.</p> <p>Under the revised standards, applying the definitions within AASB 15, guaranteed volumes of log sales classify as an 'unconditional right to consideration' and will be recorded as a receivable (asset). An offsetting contract liability will also be recognised.</p>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

South Australian Forestry Corporation for the year ended 30 June 2018

		<p>of the accumulated surplus at the date of initial application.</p>	<p>Income will be recognised as performance obligations are met i.e. logs are delivered, or when ForestrySA realises its right to income for customers failing to achieve their required Monthly Log Purchase.</p> <p>There would be no impact on the 2017-18 financial statements if the new standard had applied, as the new contracts had not commenced. It is not possible to quantify the effect of the change in the future as that depends on future events which are uncertain. Applying assumptions to past events does not provide a reliable basis for estimating future impacts, as the changed contract conditions are likely to influence outcomes.</p>	
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NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2018

4 REVENUE, OTHER INCOME AND EXPENSES

(i) Revenues from SA Government

	Note	2018	2017
		\$ '000	\$ '000
Community Service Obligation funding (1)		4,379	3,559
Other revenues from SA Government		4,534	6,149
Government Radio Network funding		455	399
Deferred revenues from SA Government (1)		(125)	31
Revenues from SA Government		9,243	10,138

(1) CSO funding received for capital expenditure is recognised in revenue over the life of the asset.

(ii) Interest received or receivable

Interest received	286	233
Interest revenue	286	233

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

(iii) Other income

Other revenue from non SA Government entities	830	1,161
Other income	830	1,161

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

Land and buildings			
Net proceeds from disposal		-	-
Less expenses on disposal		(402)	(16)
Less net book value of assets disposed	12	(554)	(1)
Net gain/(loss) from disposal of land and buildings		(956)	(17)
Plant and equipment			
Net proceeds from disposal		-	253
Less expenses on disposal		-	(1)
Less net book value of assets disposed	12	(153)	(671)
Net gain/(loss) from disposal of plant and equipment		(153)	(419)
Roads and land improvements			
Net proceeds from disposal	12	-	-
Less expenses on disposal		-	-
Less net book value of assets disposed		(9)	-
Net gain/(loss) from disposal of assets held for sale		(9)	-
Total assets			
Net proceeds from disposal		-	253
Less expenses on disposal		(402)	(17)
Less net book value of assets disposed		(716)	(672)
Net gain/(loss) from disposal of total assets		(1,118)	(436)

Gains and losses on disposal are recognised at the date control of the asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at that time. Where revalued assets are sold, the revaluation surplus is transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2018

4 REVENUE, OTHER INCOME AND EXPENSES (Continued)	Note	2018 \$ '000	2017 \$ '000
(v) Other expenditure			
Doubtful debt provision / write down	8	-	(1)
Export - shipping		1,213	1,738
Export - marketing & other		1,271	1,877
Consultants (1)		40	170
Other (2)		4,284	3,199
		6,808	6,983

(1) The number and dollar amount of consultancies paid/payable that fell within the following bands:

	No.	2018 \$ '000	No.	2017 \$ '000
Below \$10,000	6	8	2	8
Above \$10,000	1	32	6	162
Total paid /payable to the consultants engaged	7	40	8	170

(2) Includes audit fees paid/payable to the Auditor-General's Department relating to work performed under the Public Finance and Audit Act of \$72,000 (2017:\$70,000). No other services were provided by the Auditor-General's Department.

5 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 financial year is based on the tax equivalent calculations under the Accounting Profits Model prescribed in the State Tax Equivalent Regime (STER) and the applicable accounting standards (see note 2, not including AASB 112 Income Taxes). 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 forest asset revaluations from the accounting profit before ForestrySA calculates its income tax equivalent payment. The income tax equivalent expense was nil for the reporting period (2017: nil).

6 EMPLOYEE BENEFITS EXPENSES

	2018 \$ '000	2017 \$ '000
Salaries and wages	3,460	3,383
Long service leave	71	38
Retention leave	15	3
Annual leave	275	276
Employment on-costs* - superannuation	624	614
Employment on-costs - other	211	182
	4,656	4,496

*The superannuation employment on-cost charge represents ForestrySA's contributions to superannuation plans in respect of current services of current employees.

Compensation of employees whose income was over the base executive remuneration level

	2018 Number	2017 Number
The number of employees whose income, excluding TVSP, was within the following bands:		
\$147,001 - \$149,000*	N/A	1
\$149,001 - \$159,000	1	-
\$169,001 - \$179,000	-	1
\$209,001 - \$219,000 (1)	1	-
\$219,001 - \$229,000	1	1
\$319,001 - \$329,000	-	1
\$329,001 - \$339,000	1	-
Total number of employees	4	4

(1) includes termination payments

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 any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$921,000 (2017: \$850,000).

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2018

7 CASH AND CASH EQUIVALENTS

	2018	2017
	\$ '000	\$ '000
Cash	1	1
Deposits	2,388	2,579
Cash Management Fund	11,318	11,105
	<u>13,707</u>	<u>13,685</u>

Cash is measured at nominal amounts.

Deposits and Cash Management Fund

Deposits include funds held with the Commonwealth Bank of Australia (CBA). The balance of these funds is not available for general use, i.e. funds can only be used in accordance with the Treasurer's/Under Treasurer's approval. Cash Management Fund (CMF) deposits are lodged with SAFA and earn interest at the respective CMF rate.

Interest Rate Risk

Cash on hand is non-interest bearing. Deposits at call and with the Treasurer earn a floating interest rate, based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

CASH FLOWS RECONCILIATION

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

	2018	2017
	\$ '000	\$ '000
Cash and cash equivalents as per statement of financial position	13,707	13,685
Cash and cash equivalents as per statement of cash flows	13,707	13,685
(ii) Reconciliation of profit after income tax equivalent payments to net cash flow from operating activities		
Profit after income tax equivalents	<u>1,460</u>	<u>6,500</u>
Non cash items		
Net change in value of forest asset - other	(5,583)	(6,936)
Impairment of assets	-	90
Depreciation and amortisation	1,181	1,506
Loss/(Gain) on disposal of assets	1,118	436
	<u>(3,284)</u>	<u>(4,904)</u>
Changes in operating assets and liabilities		
Decrease/(Increase) in receivables	3,215	(3,658)
Decrease/(Increase) in inventories	(1,167)	272
(Decrease)/Increase in payables	776	39
(Decrease)/Increase in provisions	(389)	(196)
(Decrease)/Increase in employee benefits	(159)	(108)
(Decrease)/Increase in deferred income	436	(121)
Net cash flows from changes in operating balances	<u>2,712</u>	<u>(3,772)</u>
Net cash flows from operating activities	<u>888</u>	<u>(2,176)</u>

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2018

8 RECEIVABLES

	2018	2017
	\$ '000	\$ '000
CURRENT		
Trade receivables	6,293	8,344
Less doubtful debts	(30)	(30)
Other receivables	75	966
Accrued revenue	20	24
Prepayments	598	667
GST receivable	-	200
	<u>6,956</u>	<u>10,171</u>

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.

Movement in the allowance for doubtful debts (impairment loss)

	2018	2017
	\$ '000	\$ '000
Carrying amount at the beginning of the period	30	31
Increase in allowance recognised in profit or loss	-	-
Amounts written off	-	-
Amounts recovered during the year	-	(1)
Carrying amount at the end of the period	<u>30</u>	<u>30</u>

Interest rate and credit risk

Receivables arise in the normal course of selling goods and services to other government agencies, the private sector and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the authority will not be able to collect the debt. 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.

9 INVENTORIES

	2018	2017
	\$ '000	\$ '000
CURRENT		
Export log	1,464	257
Materials and stores	22	62
	<u>1,486</u>	<u>319</u>

Inventories include goods and other property held for sale in the ordinary course of business. It excludes depreciating assets. Inventories held for sale are measured at the lower of cost or their net realisable value.

Cost for all other inventory is measured on the basis of the first-in, first-out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2018

10 ASSETS CLASSIFIED AS HELD FOR SALE

	<u>2018</u>	<u>2017</u>
	\$ '000	\$ '000
Non-current assets classified as held for sale		
Land and buildings, property, plant and equipment	6,006	55
	<u>6,006</u>	<u>55</u>

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed one year from the date of classification.

11 FOREST ASSETS (STANDING TIMBER)

	<u>2018</u>	<u>2017</u>
	\$ '000	\$ '000
Opening balance	37,907	30,971
Other Revaluation / Impairment	5,583	6,936
Net change recorded in statement of comprehensive income	<u>5,583</u>	<u>6,936</u>
Closing balance	43,490	37,907
Unrealised (loss)/gain for the period included in the Statement of Comprehensive Income	5,583	6,936

ForestrySA has adopted the Discounted Cash Flow (DCF) method to value Forest Assets. In 2018 ForestrySA engaged Margules Groomer to provide the DCF valuation for its plantations. ForestrySA is recognising the multiple rotation forest valuation, being \$43,490,000 (2017: \$37,907,000). In prior years ForestrySA recognised the single rotation forest valuation. The effect of this change in accounting policy is disclosed in Note 26.

Forest Assets comprises the following:

	<u>2018</u>	<u>2017</u>
	\$ '000	\$ '000
Fair Value		
Forest Assets as held to maturity	43,490	37,907
Total fair value	43,490	37,907
	<u>2018</u>	<u>2017</u>
	\$ '000	\$ '000
CURRENT ASSET		
Current portion of forest assets valuation	2,993	5,111
	<u>2018</u>	<u>2017</u>
	\$ '000	\$ '000
NON-CURRENT ASSET		
Non-current portion of forest assets valuation	40,497	32,796

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2018

12 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and structures	Roads and land improvements	Plant and equipment	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Year ended 30 June 2017					
As at 1 July 2016, net of accumulated depreciation and impairment	39,140	8,194	2,195	4,388	53,917
Additions / transfers	-	80	341	-	421
Disposals	-	(1)	-	(671)	(672)
Assets reclassified to or out of assets held for sale	-	-	-	221	221
Revaluation decrements	-	-	-	(77)	(77)
Impairment	-	-	-	(13)	(13)
Depreciation charge for the year	-	(342)	(137)	(296)	(775)
Net of accumulated depreciation and impairment	39,140	7,931	2,399	3,552	53,022
At 30 June 2017					
Cost or fair value	39,140	8,773	4,444	7,715	60,072
Accumulated depreciation and impairment	-	(842)	(2,045)	(4,163)	(7,050)
Net carrying amount	39,140	7,931	2,399	3,552	53,022
Year ended 30 June 2018					
As at 1 July 2017, net of accumulated depreciation and impairment	39,140	7,931	2,399	3,552	53,022
Additions / transfers	-	375	-	80	455
Disposals	(497)	(56)	(9)	(153)	(715)
Transfers between classes	-	266	(567)	301	-
Assets reclassified to or out of assets held for sale	(5,743)	(151)	(57)	-	(5,951)
Revaluation increments	1,072	-	-	-	1,072
Revaluation decrements	(830)	-	-	-	(830)
Impairment	-	-	-	-	-
Depreciation charge for the year	-	(340)	(136)	(290)	(766)
Net of accumulated depreciation and impairment	33,142	8,025	1,630	3,490	46,287
At 30 June 2018					
Cost or fair value	33,142	9,071	3,792	7,762	53,767
Accumulated depreciation and impairment	-	(1,046)	(2,162)	(4,272)	(7,480)
Net carrying amount	33,142	8,025	1,630	3,490	46,287

Revaluation of land and buildings and structures

ForestrySA uses the services of Land Services SA to determine the fair value of its land. Fair value is determined by reference to market-based evidence, which is the amount for which the asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Land was revalued using valuations provided by Land Services SA in 2018.

In 2016 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 was 30 June 2016. 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 condition and remaining useful life of each asset.

Plant and equipment includes \$38,000 of fully depreciated (to salvage value) property still in use (2017:\$46,000).

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2018

13 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 based on the level of inputs used in measurement.

Fair value recognised in the balance sheet are categorised into level 2 for land and level 3 for other assets at 30 June 2018. Land was valued by Land Services SA as at 30 June 2018 and is categorised as a Level 2 valuation based on a thorough analysis of the data applied for valuation.

ForestrySA's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. Assets held for sale were revalued when the fair value less costs to sell was lower than the carrying amount.

Fair value measurements at 30 June 2018

Recurring fair value measurements	Note	2018 \$ '000	Level 2 \$ '000	Level 3 \$ '000
Forest Assets	11	43,490	-	43,490
Land	12	33,142	33,142	-
Buildings and structures	12	8,025	-	8,025
Roads and land improvements	12	1,630	-	1,630
Plant and equipment	12	3,490	-	3,490
Total recurring fair value measurements		<u>89,777</u>	<u>33,142</u>	<u>56,635</u>

Non-recurring fair value measurements

Assets held for sale	10	6,006	-	6,006
Total non-recurring fair value measurements		<u>6,006</u>	<u>-</u>	<u>6,006</u>

Fair value measurements at 30 June 2017

Recurring fair value measurements	Note	2017 \$ '000	Level 2 \$ '000	Level 3 \$ '000
Forest Assets	11	37,907	-	37,907
Land	12	39,140	39,140	-
Buildings and structures	12	7,931	-	7,931
Roads and land improvements	12	2,399	-	2,399
Plant and equipment	12	3,552	-	3,552
Total recurring fair value measurements		<u>90,929</u>	<u>39,140</u>	<u>51,789</u>

Non-recurring fair value measurements	Note	2017 \$ '000	Level 2 \$ '000	Level 3 \$ '000
Assets held for sale	10	55	-	55
Total non-recurring fair value measurements		<u>55</u>	<u>-</u>	<u>55</u>

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2018

13 FAIR VALUE MEASUREMENT (Continued)

Valuation techniques and inputs

Valuation techniques used to derive fair values are in disclosed Notes 11 and 12.

Although unobservable inputs were used in determining fair value, and are subjective, ForestrySA considers that the overall valuation would not be materially affected by changes to the existing assumptions.

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

Total valuation gains and losses	2018 \$ '000	2017 \$ '000
Forest Assets	5,583	6,936
Land	242	-
Property, plant & equipment	-	-
Total valuation gain / (loss) for the year	5,825	6,936

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

Description	technique	Unobservable inputs
Forest Assets	Discounted Cash Flow	Discount rate (pre-tax real) - 7.0% (2017: 8.5%)
		Estimated timber prices derived from available market projections
		Estimated yield per hectare and site quality
Land (1)	Market approach	Area-based and volume-based indirect and overhead costs
		Land Services SA statutory valuation derived from available market evidence
		Discount factors for legal restrictions - Green triangle (GT) 40% (2017: 40%), Mount Lofty Ranges (MLR) 65% (2017: 65%), Mid North (MN) 55% (2017: 55%)
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 forest assets

ForestrySA has adopted the Discounted Cash Flow method to value forest assets. For the 2018 financial year ForestrySA has engaged Margules Groome to provide this DCF valuation for its plantations in the Mount Lofty Ranges.

ForestrySA is recognising the multiple rotation forest valuation, being \$43,490,000 (2017: \$37,907,000). In prior years ForestrySA recognised the single rotation forest valuation. The effect of this change in accounting policy is disclosed in Note 26.

The effects of modifying a range of input variables is demonstrated in this sensitivity analysis:

Sensitivity to Log Prices and Production Costs	Value (AUD million)		
	Production Cost Scenario	Log Price Scenario	
		-5%	Base
+5%	32.321	39.704	47.079
Base	36.108	43.490	50.864
-5%	39.923	47.305	54.677

Sensitivity to Silvicultural Costs	Value (AUD million)
+5%	42.964
Base	43.490
-5%	44.016

Sensitivity to Overhead Costs	Value (AUD million)	
	Area based Overheads	Volume Based Overheads
	+5%	42.706
Base	43.490	43.490
-5%	44.274	43.846

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2018

13 FAIR VALUE MEASUREMENT (Continued)

Sensitivity to the Discount Rate	Value (AUD million)
6.0%	50.671
6.5%	46.777
7.0%	43,490
7.5%	40.680
8.0%	38.250

Reconciliation of fair value measurements

	Forest Assets	Land	Buildings and structures	Roads and land improvements	Plant and equipment
Opening balance at 1 July 2017	37,907	39,140	7,931	2,399	3,552
Acquisitions	-	-	375	-	80
Disposals	-	(497)	(56)	(9)	(153)
Assets reclassified to or out of assets held for sale	-	(5,743)	(151)	(57)	-
Depreciation	-	-	(340)	(136)	(290)
Transfers within asset classes	-	-	266	(567)	301
	-	(6,240)	94	(769)	(62)
Total gains / (losses) for the period in other comprehensive income:					
Revaluation increment / (decrement)	5,583	242	-	-	-
	5,583	242	-	-	-
Closing balance at 30 June 2018	43,490	33,142	8,025	1,630	3,490

Reconciliation of fair value measurements

	Forest Assets	Land	Buildings and structures	Roads and land improvements	Plant and equipment
Opening balance at 1 July 2016	30,971	39,140	8,194	2,195	4,388
Acquisitions	-	-	80	341	-
Disposals	-	-	(1)	-	(671)
Assets reclassified to or out of assets held for sale	-	-	-	-	221
Depreciation	-	-	(342)	(137)	(296)
Impairment	-	-	-	-	(13)
	-	-	(263)	204	(759)
Total gains / (losses) for the period in other comprehensive income:					
Revaluation increment / (decrement)	6,936	-	(77)	-	-
	6,936	-	(77)	-	-
Closing balance at 30 June 2017	37,907	39,140	7,854	2,399	3,629

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2018

14 INTANGIBLE ASSETS

	<u>2018</u>	<u>2017</u>
	<u>\$ '000</u>	<u>\$ '000</u>
COMPUTER SOFTWARE		
As at 1 July, net of accumulated amortisation and impairment	567	1,155
Additions	9	143
Amortisation charge for the year	(415)	(731)
Total computer software, net of accumulated amortisation and impairment	<u>161</u>	<u>567</u>
	<u>2017</u>	<u>2016</u>
	<u>\$ '000</u>	<u>\$ '000</u>
As at 30 June:		
Cost or fair value	2,592	2,583
Accumulated amortisation and impairment	(2,431)	(2,016)
Net Carrying Amount	<u>161</u>	<u>567</u>

The intangible assets consist of software for operational systems and water licences. ForestrySA has no contractual commitments for the acquisition of intangible assets. There were no indications of impairment of intangible assets at 30 June 2018.

15 PAYABLES

	<u>2018</u>	<u>2017</u>
	<u>\$ '000</u>	<u>\$ '000</u>
CURRENT		
Trade payables	3,013	2,269
Accrued expenses	159	103
Employee benefit on-costs*	55	69
	<u>3,227</u>	<u>2,441</u>
NON-CURRENT		
Employee benefit on-costs*	88	97
	<u>88</u>	<u>97</u>

*ForestrySA makes contributions to several SA Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has changed from the 2017 rate (40%) to 41%. The average factor for the calculation of employer superannuation on-costs has changed from the 2017 rate (10.1%) to 9.9%. These rates are used in the employment on-cost calculation.

Interest rate and credit risk

Payables are measured at nominal amounts. 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 24.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2018

16 EMPLOYEE BENEFITS

	<u>2018</u>	<u>2017</u>
	<u>\$ '000</u>	<u>\$ '000</u>
CURRENT		
Accrued salaries and wages	85	92
Long service leave	140	166
Retention leave	15	23
Banking of time	8	10
Annual leave	192	248
	<u>440</u>	<u>539</u>
NON-CURRENT		
Long service leave	568	628
	<u>568</u>	<u>628</u>

AASB 119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis 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 not changed from 2017 (2.5%).

The net financial effect of actuarial assumptions and methodology changes in the current financial year is a increase in the long service leave liability of \$18,000 and employee benefits expense of \$18,000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of factors and assumptions – a key assumption is the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

17 DEFERRED INCOME

	<u>2018</u>	<u>2017</u>
	<u>\$ '000</u>	<u>\$ '000</u>
CURRENT		
Deferred income	234	269
	<u>234</u>	<u>269</u>
NON-CURRENT		
Deferred income	1,241	770
	<u>1,241</u>	<u>770</u>
Movement in deferred income		
Carrying amount at the beginning of the period	1,039	1,160
Received during the year	1,319	286
Recognised as income in the Statement of Comprehensive Income	(883)	(407)
Carrying amount at the end of the period	<u>1,475</u>	<u>1,039</u>

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2018

18 OTHER PROVISIONS

	<u>2018</u>	<u>2017</u>
	<u>\$ '000</u>	<u>\$ '000</u>
CURRENT		
Workers compensation	102	232
	<u>102</u>	<u>232</u>
NON-CURRENT		
Workers compensation	154	413
	<u>154</u>	<u>413</u>
Movement in provisions		
Opening balance	645	841
Payments	(95)	(343)
Increments/(decrements) in provision	(294)	147
Closing balance	<u>256</u>	<u>645</u>

Workers compensation

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2018 provided by a consulting actuary engaged through the Office for the Public Sector (a division of the Department of the Premier and Cabinet). The provision is for the estimated cost of ongoing payments to employees as required under current legislation. ForestrySA is responsible for the payment of workers compensation claims.

19 EQUITY

	<u>2018</u>	<u>2017</u>
	<u>\$ '000</u>	<u>\$ '000</u>
Retained Earnings	34,789	38,335
Forest Assets reserve	38,513	32,930
Asset revaluation reserve	38,737	39,072
Total Equity	<u>112,039</u>	<u>110,337</u>

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.

The asset revaluation reserve and forest assets reserves are used to record increments and decrements in the fair value of land, buildings, plant and equipment and forest assets to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2018

20 SEGMENT INFORMATION

For management purposes ForestrySA is organised into two forest regions and the Community Service Obligations portfolio. The reportable segments are:

- Mount Lofty Ranges (MLR): includes the Mt Crawford, Kuitpo and the Second Valley Forests which operate as a single commercial operation.
- Mid North (MN): this region has two forests, located at Wirrabara and Bundaleer.
- Community Service Obligations (CSO): ForestrySA performs under its charter non-commercial operations for the South Australian Government.

Note on the MN forests: The replanting of some sections of the MN forests was considered non-commercial, and this activity required a Ministerial Direction, issued in 2015, to proceed. As a result, this expenditure was included as a CSO within the Funded segment.

The executive and board 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.

Year ended 30 June 2018	(\$'000)			
	MLR	MN	FUNDED	Total
Income				
Sales - timber products	11,460	256	-	11,716
Comm Service Obligation	-	-	4,379	4,379
Revenues from SA Government	-	-	330	330
Interest	215	71	-	286
Other income	421	162	247	830
Total income before other revenues from SA Government	12,096	489	4,956	17,541
Expenses				
Employee benefits	(2,342)	(319)	(1,995)	(4,656)
Contractors	(8,906)	(177)	(1,650)	(10,733)
Depreciation and amortisation	(714)	(191)	(276)	(1,181)
Materials	(576)	(1)	(97)	(674)
Equipment and vehicle costs	(268)	(2)	(439)	(709)
Council rates	(294)	(25)	-	(319)
Other expenditure	(4,365)	(448)	(1,995)	(6,808)
Net loss from the disposal of non-current assets	-	(1,118)	-	(1,118)
Total expenses	(17,465)	(2,281)	(6,452)	(26,198)
Segment Profit				
Trading profit (loss) before dividend payment, revaluation of forest assets and other revenues from SA Government	(5,369)	(1,792)	(1,496)	(8,657)
Other revenues from SA Government	3,093	388	1,053	4,534
Trading profit before revaluation of forest assets	(2,276)	(1,404)	(443)	(4,123)
Net change in value of forest assets	5,583	-	-	5,583
Property, plant and equipment recorded in asset revaluation surplus	242	-	-	242
Total comprehensive result	3,549	(1,404)	(443)	1,702

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

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2018

20 SEGMENT INFORMATION (Continued)

Year ended 30 June 2017	(\$'000)	MLR	MN	FUNDED	Total
Income					
Sales - timber products		13,837	343	-	14,180
Sales - Management Services		91	30	-	121
Comm Service Obligation		-	-	3,559	3,559
Revenues from SA Government		426	8	-	434
Interest		152	81	-	233
Other income		516	231	414	1,161
<u>Total income before other revenues from SA Government</u>		<u>15,022</u>	<u>693</u>	<u>3,973</u>	<u>19,688</u>
Expenses					
Employee benefits		(2,599)	(459)	(1,438)	(4,496)
Contractors		(9,063)	(209)	(1,862)	(11,134)
Depreciation and amortisation		(977)	(272)	(257)	(1,506)
Materials		(415)	(1)	(143)	(559)
Equipment and vehicle costs		(395)	(23)	(354)	(772)
Council rates		(270)	(23)	-	(293)
Impairment of assets		(90)	-	-	(90)
Other expenditure		(5,685)	(529)	(769)	(6,983)
Net loss from the disposal of non-current assets		(1)	(4)	(431)	(436)
<u>Total expenses</u>		<u>(19,495)</u>	<u>(1,520)</u>	<u>(5,254)</u>	<u>(26,269)</u>
<u>Segment Profit</u>					
Trading profit before revaluation of forest assets and other revenues from SA Government		<u>(4,473)</u>	<u>(827)</u>	<u>(1,281)</u>	<u>(6,581)</u>
<u>Other revenues from SA Government</u>					
		<u>4,472</u>	<u>823</u>	<u>850</u>	<u>6,145</u>
Trading profit before revaluation of forest assets		(1)	(4)	(431)	(436)
Net change in value of forest assets		6,936	-	-	6,936
Total comprehensive result		6,935	(4)	(431)	6,500

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

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2018

21 COMMITMENTS AND CONTINGENCIES

a) Commitments

	2018	2017
	\$ '000	\$ '000
i) Operating lease commitments		
Non cancellable operating leases contracted for but not capitalised in the accounts:		
Due not later than one year	199	206
Due later than one year but not later than five years	432	265
Due later than five years	343	99
Total operating lease commitments	<u>974</u>	<u>570</u>

These operating lease commitments are not recognised in the financial report as liabilities. The operating lease commitments are related to the light vehicle fleet.

	\$ '000	\$ '000
ii) Other commitments		
Due not later than one year	5,657	5,336
Due later than one year but not later than five years	5,065	8,318
Total other commitments	<u>10,722</u>	<u>13,654</u>

ForestrySA's contracting commitments include agreements for the harvesting and transport of log and associated logistics. The calculations, based on assumptions about variables that impact the future dollar outcome of the commitments to ForestrySA, are indicative amounts.

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

b) Contingent Liabilities

Defined Benefit Plan

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.

In April 2017 ForestrySA was notified by the SA Superannuation Board of a \$2 million actuarially assessed funding deficit as at 30 June 2016 relating to defined benefit members employed by ForestrySA as at 1 July 2014. The funding deficit is expected to be funded over the next 10 to 12 years. In addition to regular contributions in relation to current superannuation benefits ForestrySA has expensed \$230,000 (2017: \$221,000) being the amount paid during the current financial year in relation to the benefit funding deficit. A liability has not been recognised for the remaining balance.

c) Contingent Assets

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

22 KEY MANAGEMENT PERSONNEL

Key management personnel of ForestrySA include the Minister, directors, the Chief Executive, executive team members and the Human Resource (HR) advisor who have responsibility for the strategic direction and management of the authority. The compensation detailed below excludes salaries and other benefits the Minister for Primary Industries and Regional Development receives. The Minister's remuneration and allowances are set by the Parliamentary Remuneration Act 1990 and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the Parliamentary Remuneration Act 1990.

(a) Board Members

The following persons held positions on the governing board during the financial year:

I. Kowalick (ceased 31/12/2017)
J. Roache
A. McEwen (appointed 1/8/2017)
S. Ashby

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2018

22 KEY MANAGEMENT PERSONNEL (Continued)
(b) Other key management personnel

Executive

J.P. Coleman

J. Speed

J.F. O'Hehir (ceased 13/4/18)

S. Ware

C. Gibson

P. Ginn (ceased 13/4/18)

A. Moylan

P. Merry (appointed 18/1/2018)

Chief Executive

General Manager Business Operations

General Manager Planning and Development

Manager Finance and ICT

Manager Conservation, Recreation, Fire and Safety

Manager Commercial Forestry Operations

Manager Community and Recreation

Manager Commercial Operations

Other

Hon L. Bignell MP (ceased 18/3/2018)

Hon T. Whetstone MP (appointed 22/3/2018)

A. Rae (ceased 31/5/18)

Minister for Forests

Minister for Primary Industries and Regional Development

HR Adviser

(c) Compensation of key management personnel

	2018	2017
	\$ '000	\$ '000
Short term employee benefits paid or due and payable to or on behalf of key management personnel	1,213	1,164
Termination payments paid or due and payable to or on behalf of key management personnel	84	78
Superannuation benefits paid or due and payable to or on behalf of key management personnel	146	132
Total	1,443	1,374

(d) Remuneration of governing board members

The number of governing board members whose remuneration received or receivable falls within the following bands:

	2018	2017
	\$ '000	\$ '000
\$0 - \$9,999*	1	2
\$30,000 - \$39,999	2	1
\$40,000 - \$49,999	1	1
Total	4	4

The total remuneration received and receivable by those governing board members was \$114,000 (2017:\$98,000) which includes fringe benefits and superannuation contributions. Note, these amounts are also disclosed in note (c) above.

*In accordance with the Premier and Cabinet Circular No. 016, one SA Government employee (2017: two) did not receive any remuneration for governing board duties during the financial year.

(e) Transactions with Key Management Personnel and other related parties

Transactions between ForestrySA and its directors are made at arm's length. There have been no such transactions in the financial year (2017: nil).

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2018

23 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	
		2018 \$ '000	2017 \$ '000	2018 \$ '000	2017 \$ '000	2018 \$ '000	2017 \$ '000
Income							
Sales - timber products		-	-	11,716	14,180	11,716	14,180
Sales - management services		-	-	-	121	-	121
Comm Service Obligation Funding		4,379	3,559	-	-	4,379	3,559
Other Revenues from SA Government		4,534	6,149	-	-	4,534	6,149
GRN Funding		455	399	-	-	455	399
CSO Deferred Income		(125)	31	-	-	(125)	31
Interest	4(ii)	279	233	7	-	286	233
Other income	4(iii)	-	-	830	1,161	830	1,161
Total Income		9,522	10,371	12,553	15,462	22,075	25,833
Expenses							
Employee benefits	6	244	95	4,412	4,401	4,656	4,496
Contractors		-	-	10,733	11,134	10,733	11,134
Depreciation and amortisation	12,14	-	-	1,181	1,506	1,181	1,506
Materials and equipment		36	54	1,347	1,277	1,383	1,331
Council rates		-	-	319	293	319	293
Impairment of assets		-	-	-	90	-	90
Other expenditure	4(v)	830	975	5,978	6,008	6,808	6,983
Net loss from the disposal of non-current assets	4(iv)	-	-	1,118	436	1,118	436
Total Expenses		1,110	1,124	25,088	25,145	26,198	26,269
Trading profit/(loss) before revaluation of forest assets		8,412	9,247	(12,535)	(9,683)	(4,123)	(436)
Net change in value of forest assets	11	-	-	5,583	6,936	5,583	6,936
Land revaluation recorded in asset revaluation surplus	12	-	-	242	-	242	-
Total comprehensive result		8,412	9,247	(6,710)	(2,747)	1,702	6,500

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

		SA Government		Non-SA Government		Total	
		2018 \$ '000	2017 \$ '000	2018 \$ '000	2017 \$ '000	2018 \$ '000	2017 \$ '000
Financial Assets							
Cash and cash equivalents	7	11,318	11,105	2,389	2,580	13,707	13,685
Receivables	8	5,048	7,122	1,908	3,049	6,956	10,171
Total current financial assets		16,366	18,227	4,297	5,629	20,663	23,856
Total financial assets		16,366	18,227	4,297	5,629	20,663	23,856
Financial liabilities							
Payables	15	239	557	2,988	1,884	3,227	2,441
Employee benefits	16	-	-	440	539	440	539
Deferred income	17	57	47	177	222	234	269
Other provisions	18	102	232	-	-	102	232
Total current financial liabilities		398	836	3,605	2,645	4,003	3,481
Non-current financial liabilities							
Payables	15	-	-	88	97	88	97
Employee benefits	16	-	-	568	628	568	628
Deferred income	17	824	715	417	55	1,241	770
Other provisions	18	154	413	-	-	154	413
Total non-current financial liabilities		978	1,128	1,073	780	2,051	1,908
Total financial liabilities		1,376	1,964	4,678	3,425	6,054	5,389
Total net financial assets		14,990	16,263	(381)	2,204	14,609	18,467

NOTES TO THE FINANCIAL STATEMENTS
SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2018

24 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 82% of the value of transactions for the financial year were transactions with the three largest (Non SA Government) of ForestrySA's customers (2017: 78%, three largest customers).

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 21).
- interest may be charged on overdue balances.

(ii) Foreign currency risk exposures

As at 30 June 2018 ForestrySA's exposure to foreign currencies is nil (2017: nil).

(iii) Interest rate risk exposures

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

	Floating rate \$'000	Non-interest bearing \$'000	Fixed interest maturing			2018 Total \$'000	2017 Total \$'000
			1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000		
Financial assets:							
Cash and cash equivalents	13,707	-	-	-	-	13,707	13,685
Receivables (1)	-	6,358	-	-	-	6,358	9,304
	<u>13,707</u>	<u>6,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,065</u>	<u>22,989</u>
Financial liabilities:							
Payables (2)	-	3,000	-	-	-	3,000	2,269
	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>2,269</u>
Net Financial assets/(liabilities)	<u>13,707</u>	<u>3,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,065</u>	<u>20,720</u>

(1) Other than prepayments and statutory receivables

(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) Ageing analysis of financial assets

	Carrying Amount \$'000	Not past due and not impaired \$'000	Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	Impaired financial assets \$'000
2018						
Cash and cash equivalents	13,707	13,707	-	-	-	-
Receivables (1)	6,358	6,165	179	12	2	30
	<u>20,065</u>	<u>19,872</u>	<u>179</u>	<u>12</u>	<u>2</u>	<u>30</u>
2017						
Cash and cash equivalents	13,685	13,685	-	-	-	-
Receivables (1)	9,304	7,946	1,310	26	22	30
	<u>22,989</u>	<u>21,631</u>	<u>1,310</u>	<u>26</u>	<u>22</u>	<u>30</u>

(1) Receivable amounts disclosed here exclude amounts relating to statutory receivables (amounts owing from Government). They are carried at cost.

NOTES TO THE FINANCIAL STATEMENTS
SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2018

24 FINANCIAL INSTRUMENTS CONT.

(v) 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.

(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.

25 EVENTS AFTER REPORTING DATE

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

There were no events that required adjustments.

26 CHANGE OF ACCOUNTING POLICY

In 2017-18 Forestry SA changed its accounting policy in relation to valuation of Forest Assets (previously reported as Standing Timber). The valuation was previously based on a single forest rotation and is now based on multiple rotations. The change in accounting policy was considered appropriate as the future rotations form part of sustainable business activity and would be taken into account in any market transaction. The change has resulted in a reduction in the value of biological assets because in Australasia the earning rate on forest investment is generally less than the implied discount rate.

	2016 Reported \$'000	2016 Adjusted \$'000	2017 Reported \$'000	2017 Adjusted \$'000
Statement of Comprehensive Income				
Net change in value of Forest Assets	(1,969)	1,669	5,962	6,936
Profit/(loss) before income tax equivalent	(1,932)	1,706	5,526	6,500
Total comprehensive result	(3,010)	628	5,526	6,500
Statement of Financial Position				
Forest Assets - Current	4,208	4,208	5,111	5,111
Forest Assets - Non-current	41,780	26,763	46,839	32,796
Other Reserves	80,177	65,160	86,045	72,002
Equity	122,424	107,407	124,380	110,337
Statement of Changes in equity				
Balance of Forest Assets reserve at the start of year	42,980	24,325	41,011	25,994
Total comprehensive result	(3,010)	628	5,526	6,500
Balance of Forest Assets reserve at the end of the year	41,011	25,994	46,973	32,930
Statement of Cashflows				
No impacts on the Statement of Cashflows				

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 2018 and the results 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.



Julian Speed
ACTING CHIEF EXECUTIVE
SOUTH AUSTRALIAN FORESTRY CORPORATION
19 September 2018



June Roache
CHAIR
SOUTH AUSTRALIAN FORESTRY CORPORATION
19 September 2018



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To the Chair 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 financial report of the South Australian Forestry Corporation for the financial year ended 30 June 2018.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the South Australian Forestry Corporation as at 30 June 2018, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2018
- a Statement of Financial Position as at 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chair and the Acting Chief Executive.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Report' section of my report. I am independent of the South Australian Forestry Corporation. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

Responsibilities of the Acting Chief Executive and members of the Board for the financial report

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

In preparing the financial report, the Acting Chief Executive is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the entity is to be liquidated or to cease operations, or has no realistic alternative but to do so.

The members of the Board are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Acting Chief Executive
- conclude on the appropriateness of the entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern

- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Acting Chief Executive regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

24 September 2018

A close-up, macro photograph of tree bark, showing its intricate, layered, and cracked texture. The bark is a mix of light brown and grey tones, with deep crevices and ridges. The background is a soft, out-of-focus blue-grey color.

STATUTORY REPORTING ITEMS

FORESTRYSA OBJECTIVES

Under ForestrySA's strategic pillars, its business objectives have strong links with those set out by the State Government.

ForestrySA strategic pillars	South Australian Government objectives
Optimising commercial value of the forests Optimise commercial sales revenues Broaden revenue streams Reduce operating costs	To build a state that reaches its potential and delivers for all South Australians, their families and communities
Land stewardship Be recognised by the community as an exceptional force for positive environmental change	Natural Resource Management reform
Regional economic activity Assist in facilitating the industry's future Support local companies (strong partnerships)	Support jobs growth and boost local economies
Promote forestry industry development Forestry as a desirable occupation Be a flagship employer of choice Perform an active role in promoting (new) business	Create conditions that encourage businesses to invest, expand and employ more people
Fire protection and management Maintain best practice fire management capabilities	Providing better public services
Recreation and community engagement Establish commercial partners for recreational tourism. Develop ecotourism initiatives to capitalise on demand.	Continue to grow South Australia's tourism industry

HUMAN RESOURCES

WORK HEALTH, SAFETY AND RETURN TO WORK PROGRAMS

ForestrySA is committed to providing a safe and healthy working environment for all staff, contractors, customers, members of the community and other visitors.

We endeavour to optimise the culture and climate of the organisation through continuous improvement and provide skilled personnel with the competence necessary to deliver our services safely and to high professional standards. While management has a duty to provide and maintain a safe and healthy work environment, health and safety in the workplace are responsibilities shared by all employees.

ForestrySA is committed to the continuous improvement of our Work Health and Safety (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 ForestrySA Lead Team continues to actively demonstrate their involvement and commitment to WHS by monitoring, reviewing, challenging and participating in safety programs. Regular communication with key stakeholders and involvement in incident investigations are key areas which involve all members of the Lead Team.

Work health, safety and return to work programs	Outcomes and effectiveness
<p>ForestrySA Transport Safety Initiative Continuous improvement of ForestrySA's log transport contractor safety requirements. This initiative was designed to actively reduce truck roll-overs and related road accidents.</p>	<p>Reduction in transport incidents in the Mount Lofty Ranges.</p>
<p>ForestrySA Safety Management System Complete implementation of electronic incident reporting during 2017-18.</p>	<p>Simplified, efficient, timely incident reports from ForestrySA staff.</p>
<p>Employee Assistance Program Providing ForestrySA staff and their families with free access to a range of health services such as confidential counselling, to assist with both work-related and personal issues.</p>	<p>The program has allowed a number of employees to remain in the workplace or return to work.</p>
<p>Driver Safety Awareness Program Practical driver training for staff.</p>	<p>Better road safety knowledge and outcomes for all staff.</p>
<p>Emergency Systems Program New emergency evacuation and procedure maps and information on display in all ForestrySA buildings.</p>	<p>Compliance with building codes and Australian Standard AS3745:2010: Planning for emergencies in facilities.</p>
<p>ForestrySA Auditing Program Implementation of an audit and compliance schedule and forest audit tool to better manage WHS of ForestrySA contractors.</p>	<p>A safer work environment for ForestrySA contractors.</p>

HUMAN RESOURCES CONTINUED

WORK HEALTH, SAFETY AND RETURN TO WORK PERFORMANCE

Workplace injury claims	2017-18	2016-17	% Change
Total new workplace injury claims	2	2	0
Fatalities	0	0	0
Seriously injured workers ¹	0	0	0
Significant injuries <i>Where lost time exceeds a working week, expressed as frequency rate per 1,000 FTE</i>	1	1	0

¹ Number of claimants assessed during the reporting period as having a whole person impairment of 30% of more under the Return to Work Act 2014 (Part 2 Division 5).

WORK HEALTH AND SAFETY REGULATION

Work health and safety regulation	2017-18	2016-17	% Change
Number of notifiable incidents <i>WHS Act 2012, Part 3</i>	1	0	100
Number of provisional improvement, improvement and prohibition notices <i>WHS Act 2012, Sections 90, 191 and 195</i>	0	0	0

RETURN TO WORK COSTS

Return to work costs ¹	2017-18	2016-17	% Change
Total gross workers compensation expenditure (\$)	63,815	345,260	-81.51
Income support payments - gross (\$)	14,999	117,153	-87.19

¹ Before third party recovery.

HUMAN RESOURCES CONTINUED

EMPLOYMENT OPPORTUNITY PROGRAMS

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

It remains an active member of national, industry-owned forest, wood, paper and timber product industry organisation ForestWorks, which offers services to support skills development within the industry.

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 MANAGEMENT AND DEVELOPMENT

Performance management and development system	Effectiveness and efficiency
Biannual staff performance reviews	89% FTE completed a review during 2017-18

LEADERSHIP AND MANAGEMENT DEVELOPMENT

Training and development	Total cost	% of total salary expenditure
Total leadership and management development expenditure	\$58,911	2%

EXECUTIVE EMPLOYMENT

Executive classification	Number
Exec C	1
Exec B	2

HUMAN RESOURCES CONTINUED

WORKPLACE DIVERSITY - AT 30 JUNE 2018

Age bracket	Male	Female	Total	% of total	Workforce Benchmark (%)*
15-19	0	1	1	2.3	2.0
20-24	3	0	3	6.8	7.8
25-29	2	1	3	6.8	10.6
30-34	3	3	6	13.6	12.8
35-39	5	2	7	15.9	11.3
40-44	5	2	7	15.9	11.2
45-49	4	1	5	11.4	11.7
50-54	1	3	4	9.1	12.0
55-59	5	1	6	13.6	11.3
60-64	1	1	2	4.5	6.6
65+	0	0	0	0	2.8
TOTAL	29	15	44	100	100

*Source: Australian Bureau of Statistics Australian Demographic Statistics, 6291.0.55.001 LM1 - Labour force status by Age, Greater Capital City and Rest of State (ASGS), Marital Status and Sex, February 1978 onwards, South Australia at June 2018.

LEAVE MANAGEMENT

Leave type: Average days leave per Full Time Equivalent employee	2017-18	2016-17
Sick leave	4.3	3.6
Family carer's leave	1.7	1.0
Miscellaneous special leave	0	0.1

WORKPLACE ADAPTATION - DISABILITY

Disability	Male	Female	Total	% of ForestrySA
Disability requiring workplace adaptation	-	-	-	0
Physical	-	1	1	2.27
Intellectual	-	-	-	0
Sensory	-	-	-	0
Psychological / psychiatric	-	-	-	0

FURTHER REPORTING ITEMS

WHISTLEBLOWERS PROTECTION ACT

Matters of public interest disclosed to Whistleblower	Instances 2017-18
-	0

On no occasion during 2017-18 were matters of public interest disclosed to the ForestrySA Responsible Officer appointed under the *Whistleblowers Protection Act 1993*.

FRAUD

ForestrySA has implemented a number of strategies to control and prevent fraud. Preventative measures include:

- ForestrySA Audit and Risk Committee, a sub-committee of the South Australian Forestry Corporation Board
- Fraud and corruption, conflict of interest, maladministration and related party disclosures completed by all staff and key management personnel annually
- Regular training and awareness programs
- Regular internal audits

Nature of fraud	Instances detected 2017-18
-	0

No instances of fraud were detected by ForestrySA during 2017-18, as outlined in the Public Sector Regulations 2010.

CONSULTANTS

A summary of external consultants engaged by ForestrySA during 2017-18.

Consultant	Purpose	Value (\$)
Below \$10,000 each		
Eksrei Pty Ltd	Recruitment	5,000
Australian Trucking Safety Services	Log Haulage Procedures	1,000
Australian Bluegum Plantations	Management Projects	1,000
AJL Solutions Pty Ltd	Fire Document Review	1,000
Above \$10,000 each		
Wendy Tims Consulting Pty Ltd	Safety Focus Groups	32,000
TOTAL		40,000

GLOSSARY

AFAC	Australasian Fire and Emergency Service Authorities Council	Native forest	Forest consisting of native tree and other species that are endemic to South Australia
Biodiversity	Includes genetic diversity, reflecting the diversity within each species (species diversity and the variety of species) and ecosystem diversity (the diversity different communities formed by living organisms and the relationships between them)	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
CFS	Country Fire Service	NRM	Natural Resources Management
CSIRO	Commonwealth Scientific and Industrial Research Organisation	PIRSA	Department of Primary Industries and Regions SA
Conservation	The management of the natural environment to ensure its survival. A term covering preservation, maintenance, restoration and enhancement of the environment	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
CSO	Community Service Obligation	Pulpwood	Logs below sawlog quality but suitable for manufacturing pulp, paper and panel products
DEW	Department for Environment and Water	Recovery log	Short length, small diameter sawlog
DTF	Department of Treasury and Finance	Responsible Wood	The internationally recognised forestry standard (AS 4708), to which ForestrySA is certified in the Green Triangle and Mount Lofty Ranges
EPA	Environment Protection Authority	SARDI	South Australian Research and Development Institute
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	SAFC	South Australian Forestry Corporation
FOC	Forest Owners' Conference	SAPOL	SA Police
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	SA Water	South Australian Water Corporation
FWPA	Forest and Wood Products Australia	Sawlog	A log for processing into sawn timber
GIS	Geographic Information System	Silviculture	The cultivation of forest including both native forest and plantations
ha	Hectare/s	Softwood	Timber of coniferous or cone-bearing trees irrespective of physical hardness. Includes radiata pine
Hardwood	Timber from broad-leaved flowering trees irrespective of physical hardness. Includes eucalypts, wattles and most rainforest species	Standing plantation	The area of standing plantation, less areas that have been clear felled
HSE	Health, Safety and Environment	Thinning	Removing some trees in a forest to reduce competition and thus improve or maintain the growth and health of the remaining trees
ICT	Information and Communications Technology	Timber	The general term used to describe sawn wood suitable for building and other purposes
IM	Injury Management	Watercourse and wetland buffer zone	An area of land designed to protect a wetland or watercourse
IMT	Incident Management Team	WHS	Work Health and Safety
Lead Team	ForestrySA's key management personnel	YRS	Yield Regulation System
LiDAR	Light Detection and Ranging. A remote sensing technology adapted by ForestrySA to assess the productivity of forest plantations		
LTIFR	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		

ForestrySA

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