



ForestrySA

ANNUAL
REPORT

2014-15

ABOUT US

FORESTRYSA: PLANTATION AND NATIVE FOREST MANAGER

The South Australian Forestry Corporation was established on 1 January 2001 under the South Australian Forestry Corporation Act 2000. The corporation trades as ForestrySA and is subject to the provisions of the South Australian Public Corporations Act 1993.

ForestrySA's primary role is the management of 11,500ha of commercial plantation forest in the Mount Lofty Ranges and Mid North.

A further 23,000ha of Native Forest Reserves is also managed across South Australia, for conservation. no logging or commercial timber production is taken in these areas.

ForestrySA also manages more than 100,000 hectares of planation in the Green Triangle for forest owners including OneFortyOne Plantations and New Forests.

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

All forest under ForestrySA management are widely used and valued by the community for recreational activities such as hiking, horse riding, camping and large-scale events such as music festivals and car rallies.

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

Both the Mount Lofty Ranges and Green Triangle forests are certified to this standard. Forests in the Mid North area not, but continue to be managed in accordance with ForestrySA's Forest Management System.

The ForestrySA Charter sets out the South Australian Government's priorities and requirements. A copy of the charter can be found at www.forestrysa.com.au.

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FROM THE CHAIRMAN



The 2014-15 year was another challenging one for the business.

ForestrySA staff managed the transition of the business from being the owner and operator of the Green Triangle forests, to being the manager on behalf of new owner, OneFortyOne Plantations Pty Ltd (OFO).

Staff provided a very professional service that delivered a good financial outcome for OFO. They have also done a commendable job in improving the efficiency of the organisation.

It was foreseeable that OFO would eventually seek to internalise the management of the Green Triangle forests and that will now happen on 30 September 2015, well before the term of the Plantation Management Agreement.

A total of 60 ForestrySA staff have been offered positions with OFO. ForestrySA's role in the Green Triangle is greatly reduced to management of native forests. ForestrySA still has the ownership and operation of forests in the Mount Lofty Ranges and the Mid North.

The Mount Lofty Ranges forests are much less profitable than those in the Green Triangle and the fire damaged Mid North forests have been and increasingly will be, very marginal at best.

As a trading enterprise, ForestrySA cannot of itself make the decision to replant the Mid North forests because it is foreseeable they will make a loss.

The State Government is considering alternative use of these plantations through a public consultation process. If the impact of climate change is accepted, it follows that these Mid North forests can never be truly commercial.

Good management of the Mount Lofty Ranges forests can provide both a modest financial return and a high level of public amenity - the challenge for Government is to have a management model for ForestrySA that is both truly commercial and has lower overhead costs.

I would like to thank ForestrySA staff for their dedication and hard work.

Those that transfer to OFO will go with goodwill and those that remain with ForestrySA will be valued for their contribution to the future of the remaining forests assets.

I would also like to thank my fellow Board members who have been very willing participants in analysing and dealing with many changes, and in supporting staff.

FROM THE ACTING CHIEF EXECUTIVE



ForestrySA has found itself on a challenging journey in recent years.

The organisational change required to transform ForestrySA has been significant. The resilience, loyalty and passion of the staff has been instrumental in driving this.

A brand new chapter for ForestrySA has emerged. The focus has shifted to improving the profitability and performance of the Mount Lofty Ranges commercial plantations, while better integrating research, community and recreational support activities across all regions.

ForestrySA began 2014-15 with a significantly streamlined workforce after 66 employees accepted voluntary redundancy packages in June 2014. This and the delivery of a major commercial systems upgrade project delivered a competitive commercial forest management business which allowed for the early internalisation of the Green Triangle operations to OneFortyOne Plantations Pty Ltd (OFO).

This process will conclude on 30 September 2015, when OFO takes over the management of the Green Triangle commercial plantations. The 60 ForestrySA staff that manage OFO operations will transfer and continue to manage the plantations.

ForestrySA's strong reputation for fire management and suppression was tested during the 2014-15 fire season. The Sampson Flat fires began in the Mount Lofty Ranges on 2 January 2015, impacting ForestrySA's Mount Crawford plantation and native forest estate. A total of 176,000 cubic metres (673ha), or two years' supply to local mills was affected.

Fire salvaged log surplus to local requirements is being exported through the Port of Adelaide. This followed the conclusion of fire salvage exports from ForestrySA's Mid North plantation estate, which ended in March 2015 due to a deterioration in wood quality.

A series of bushfires destroyed 80% of the commercial pine plantations at Bundaleer and Wirrabara in 2013 and 2014 respectively. And while ForestrySA worked closely with local operator Morgan's Sawmill Jamestown to salvage as much volume as possible from the estate for local production, it became evident a new strategic direction was required.

The ForestrySA Board commissioned a report to help formulate a plan for future land use. This report was published in March 2014 by Doug Parsonson and PIRSA has since taken control of the decision-making process in what has become a significant local community issue.

Despite these challenges, ForestrySA's financial results were very positive. The State Government's total contribution was reduced by 50% to \$7.5m (including \$3.9m in Community Service Obligations funding). The asset values of ForestrySA increased by \$20.6m, the result of improved standing timber valuation (\$13.3m) driven by improved log market conditions and reduced operating costs.

For staff that remain with ForestrySA, it is business as usual. There will be no change to ForestrySA's commitment to fire protection in the Mount Lofty Ranges, Mid North and Green Triangle.

Moving forward, a strategy exists to return a profit from the Mount Lofty Ranges commercial estate and provide the lowest cost to fulfil the Government's Community Service Obligations across all regions. Operational conditions will stabilise in the Mount Lofty Ranges as fire salvage operations end and the business transformation is finalised.

I would like to thank the ForestrySA Executive team and staff for their support during the year, as we successfully navigated the business through these challenging times.

FORESTRYSA BOARD

The ForestrySA Board consists of five independent, non-executive directors including the Chairman. The current Board was appointed to serve from 1 January to 31 December 2015.

BOARD MEMBERS AT 30 JUNE 2015



IAN KOWALICK

BSc (Hons), BEc (Chairman)

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



MARK DARRAS

BA, LLB, LLM, BEd

Mark is a Company Director and Commercial Lawyer, advising companies on infrastructure and commercial matters. He is a Special Counsel with Sparke Helmore Lawyers and a Company Director. Mark has previously served on boards including as Chairman of the Telecommunications Universal Service Management Agency (TUSMA), Deputy Chair of Australia Post and John Holland Engineering. Mark has also served as a Member of the Australian Takeovers Panel. He is currently a Director of Amanie Advisors.



JULIE OBST

BA, LLB, MBA

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



JUNE ROACHE

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

June is an independent director with extensive business experience having held several senior executive positions and a number of governance roles. She currently holds board positions with the SA Health and Medical Research Institute, the Essential Services Commission of SA, SA Football Commission and the History Trust of SA.



ALICE McCLEARY

DUniv, BEc, FCA, FCTA, FAICD

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

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 established a Strategic Plan and monitors performance to the plan as well as overseeing the establishment of internal controls and risk management strategies.

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

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

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

BUSINESS SUSTAINABILITY

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

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

BOARD MEETING ATTENDANCE

| Board Members July 2014 - June 2015 | Meetings attended | Eligible for attendance |
|--|----------------------|----------------------------|
| Ian Kowalick (Chairman) | 7 | 7 |
| Julie Obst | 7 | 7 |
| Mark Darras | 7 | 7 |
| Alice McCleary | 7 | 7 |
| June Roache | 6 | 7 |

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.

BOARD AND GOVERNANCE

CONTINUED

AUDIT AND RISK COMMITTEE

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

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

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

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

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

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

| Members July 2014 – June 2015 | Meetings attended | Eligible for attendance |
|----------------------------------|----------------------|----------------------------|
| Alice McCleary (Chair) | 7 | 7 |
| Ian Kowalick | 7 | 7 |
| Mark Darras | 5 | 7 |
| Julie Obst | 7 | 7 |
| June Roach | 5 | 7 |

FORESTRYSA EXECUTIVE

EXECUTIVE TEAM AT 30 JUNE 2015



JEROME COLEMAN | ACTING CHIEF EXECUTIVE

CPA, BComm, MBA

Strategic planning | Communication and representation | Human resources | Records



JEROEN ZWIJENBURG | ACTING CHIEF FINANCIAL OFFICER

CPA, BComm, MBA

Accounting | Finance | Information Systems | Company Secretary | Geographical Information Systems



OCKERT LE ROUX | CHIEF OPERATIONS OFFICER

BSc Forestry

Commercial operations | Mount Lofty Ranges | Resource planning



GREG SAUNDER | GENERAL MANAGER OPERATIONS

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

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



JIM O'HEHIR | GENERAL MANAGER STRATEGY AND DEVELOPMENT

BSc Forestry, MFSc, PhD

Research



JUSTIN JAGGER | GENERAL MANAGER COMMERCIAL GREEN TRIANGLE

Dip Forestry, MBA

Sales Green Triangle | Harvesting and transport | Contract management



EMMA-KATE THORPE | GENERAL MANAGER HUMAN RESOURCES

M. HRM

Human resource management | Injury management

PLANTATION MANAGEMENT

PLANTATION MANAGEMENT

ForestrySA is responsible for more than 111,000ha of predominantly pine plantation land across South Australia's Mount Lofty Ranges, Green Triangle, Mount Lofty Ranges and Mid North regions.

Forest management is undertaken on behalf of the State Government in the Mount Lofty Ranges and Mid North. In the Green Triangle, this task is performed on behalf of forest owners OneFortyOne Plantations and New Forests.

South Australia experienced its second-warmest year on record in 2014 with particularly warm conditions across the State during late autumn and spring. Annual rainfall was below average in the south east although April and May were very wet, spring was very dry.

Despite these conditions, a total of 324ha of pine was planted in the Mount Lofty Ranges region during 2014 and insufficiently stocked areas were refilled. A reinstated pre-commercial thinning program combined with increased focus on thinning delayed first thinning compartments across the Mount Lofty Ranges aims to maximise production and improve plantation quality.

The integrated control of noxious weeds continues to be a focus across plantation and native forests. Several strategies maximise this effort, including the use of biological controls, selective herbicides and manual techniques.

Planning and execution of operations undertaken across the estate continues to improve with the introduction of an integrated plantation management and record system ensuring all aspects of the Australian Forestry Standard (AS 4708) are met in the Green Triangle and Mount Lofty Ranges. These standards include protecting indigenous, heritage and biological values across the estate while progressing industry leading and appropriate forestry practices.

While salvage operations concluded in the Mid-North during this period, they began in the Mount Lofty Ranges as a result of January's Sampson Flat fire. Large areas of plantation have been clear-felled, with re-establishment operations following soon after to ensure optimal use of all productive land.

FOREST STATISTICS

| | At 30 June 2015 (ha) | At 30 June 2014 (ha) |
|-----------------------------------|----------------------|----------------------|
| Standing plantation area | | |
| Radiata pine | 10,412 | 12,093 |
| Other | 1,119 | 1,204 |
| TOTAL | 11,531 | 13,297 |
| Natural features area | | |
| Proclaimed Native Forest Reserves | 16,077 | 16,075 |
| Natural features | 6,946 | 6,897 |
| TOTAL | 23,023 | 22,972 |
| Owned land area | | |
| Plantation | 15,245 | 15,100 |
| Natural features | 23,023 | 22,972 |
| Non-forest | 4,089 | 4,326 |
| TOTAL | 42,357 | 42,398 |

PLANNING AND PRODUCTION

PLANTATION RESOURCE PLANNING

A review of long term resource management in the Mount Lofty Ranges resulted in the adoption of silvicultural and harvesting strategies to maximise the long term value of the estate. Key measures adopted were the continuation of a log export programme to enable overdue thinning operations and find a market for oversized logs, and pre-commercial thinning and post thinning fertiliser application to boost productivity of plantations.

The Sampson Flat fire which burnt 763ha of productive plantation prompted a strategic reassessment of resource management, in particular with regard to finding a destination for salvage log products and adjusting long term harvesting levels.

An information package was compiled to assist the stumpage sale of log parcels in the Mid North. This included maps of the forest compartments comprising the sale and estimates of the log volumes available in these compartments.

ForestrySA completed its role in a Forest and Wood Products Australia funded project to develop an airborne LiDAR based inventory system for softwood growers. Leading on from this project ForestrySA embarked on the first operational LiDAR post-harvesting inventory project in the Green Triangle.

TOTAL LOG PRODUCT

| Product | Mount Lofty Ranges | | Mid North | |
|-------------------|--------------------|----------------|---------------|---------------|
| | 2014-15 (m3) | 2013-14 (m3) | 2014-15 (m3) | 2013-14 (m3) |
| Sawlog | 82,689 | 102,005 | 44,049 | 28,800 |
| Industrial | 42,834 | 30,319 | 3,208 | 669 |
| TOTAL LOG | 125,523 | 132,324 | 47,257 | 29,469 |
| Pulpwood | 36,498 | 51,135 | - | 1,622 |
| Preservation | 4,496 | 7,504 | 1,379 | - |
| TOTAL PULP | 40,994 | 58,639 | 1,379 | 1,622 |
| TOTAL | 166,517 | 190,963 | 48,635 | 31,091 |

MARKET AND SALES

OUTLOOK

The Sampson Flat fire in January 2015 necessitated the salvage harvest of a larger than normal proportion of the Mount Lofty Ranges estate.

Much of the burned area has been harvested prematurely as a result, meaning a smaller proportion was suitable for sale to local sawmill customers - this caused a drop of 19% in sawlog sales overall.

Combined with the continued fire salvage within the Mid North estates - and a dry mill fire suffered by a major local customer - the fire's impact on ForestrySA has been significant.

With the extra volumes harvested, ForestrySA has continued building on the successful export sales campaign with the commissioning of four export vessels from Port Adelaide during 2014-15, totalling 85,000 tonnes of logs.

However, as every effort is made to fulfil local customer requirements first, the profitability from export sales is highly dependent on the quantity and quality of product availability.

A 29% reduction in pulpwood sales from the Mount Lofty Ranges, for example, was a direct effect of weak offshore pricing during 2015. Despite support from a lower Australian dollar, and attractive international shipping rates, some lower-value products remain unviable to sell to international buyers.

While reasonable domestic utilisation of sawn timber continues, ForestrySA is determined to look beyond its own horizons for a prosperous economic future. Overall, Australia's tendency to import large volumes of manufactured (value-added) wood products means the continuation of a trade deficit - that is, we import far more of these than we export.

ForestrySA endeavours to continue searching for its own value-adding opportunities by working with local partners to establish viable alternative enterprises to more fully utilise the available resources.

ForestrySA is also pursuing important opportunities related to the preservation (largely rural) log markets, as demand has remained reasonable for rural posts, rails and strainers. For the most part this market is somewhat disparate from the sawn timber and industrial log markets; an important consideration in aiming to "future proof" the organisation from the turbulence of demand for building construction.

To this end, ForestrySA is focussing long term plans on establishing more secure preservation product markets, to coincide with substantial forest thinning regimes planned for the coming years.

RESEARCH AND HEALTH

FOREST RESEARCH

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

Research highlights for 2014-5 include:

- Establishment of a Southern Tree Breeding Association genetic performance trial in the Mount Burr Forest. Seedlots in this trial are vitally important for ensuring the Australian cooperative *Pinus radiata* tree improvement program continues to provide gain into the future. Data and germplasm that comes from this trial over the next five to 10 years will be used to ensure better trees are planted operationally.
- A new Australian Plantation Industry Herbicide Research Consortium (APIHRC) trial was established using *Radiata pine* on a South Australian site. Ongoing assessment and reporting of older trials was carried out. It is important to compare new herbicides with current practices to ensure weed control systems remain efficient.
- There continues to be ongoing support of the young age growth plot system, water monitoring and use by plantations, quality of water in the environment and plantation establishment programs (herbicide, fertiliser, survival, and annual control pollinated family selections).
- The FWPA project on remote sensing of evapotranspiration in the Green Triangle, due for completion in 2015 will present its final report in the first half of 2015-16
- FWPA has provided initial support for a project to convert the ForestrySA-developed WeedChem system to a secure, web-based application available to the broader industry.

FOREST HEALTH

A major factor ensuring a sustainable plantation industry is having healthy plantations.

As in previous years the Sirex Woodwasp biological control program continues to add value. Sirex numbers remained low with little damage reported in 2014-15.

The annual aerial surveillance program covered all ForestrySA plantations. No major problems were found. Damage by Ips (five-spined bark beetle) in or adjacent to fire damaged and/or clearfall areas in the Mid North forests remains a concern.

The good news reported last year from the Monterey Pine Aphid biological control program on the success of establishment of the *Diaretus* wasp in north-east Victoria has unfortunately not been repeated subsequently in the Green Triangle. Surveys conducted at various times throughout the year have not been successful in finding the wasp. Surveys, both formal and informal, will continue to look for the wasp.

The discovery of Giant pine scale (*Marchalina hellenica*) in late 2014 in the eastern suburbs of Adelaide is a concern, and a reminder that new potentially serious pests are sometimes found. Surveys of plantation sites have been conducted by ForestrySA and Biosecurity SA and indications are that the pest is confined to Adelaide suburbs.

The nationally approved eradication program which commenced at the close of the financial year, is being supported.

FIRE

FOREST FIRE PROTECTION

The 2014-15 fire season was dominated by two major fires that both occurred on 2 January 2015.

The Sampson Flat Fire burnt over 12,000ha of land in the Mount Lofty Ranges including 630ha of ForestrySA managed pine plantation and 1,698ha of Native Forest Reserve.

The Tantanoola Fire burnt 862ha in total including 277ha of ForestrySA managed pine plantation and 267ha of Native Forest Reserve.

Apart from these two major fires the fire season was quieter than normal, with ForestrySA fire crews only attending 51 fires for the season. A total of 16 of the fires attended were on land not owned or managed by ForestrySA.

ForestrySA fire crews were on standby ready to respond to fires on 93 days in the Green Triangle and 98 days in the Mount Lofty Ranges.

ForestrySA continued to undertake prescribed burning in its Native Forest Reserves in order to meet specific fuel reduction objectives and for the ecological management of the reserves.

A total of four prescribed burns were undertaken in the Green Triangle and three in the Mount Lofty Ranges.

| Forest region | Fires attended |
|--------------------|----------------|
| Green Triangle | 36 |
| Mount Lofty Ranges | 13 |
| Mid North | 2 |
| TOTAL | 51 |

COMMUNITY FIRE PROTECTION

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

During the 2014-15 fire season, the towers were manned on 96 high fire danger days – slightly more than average.

Across the State, ForestrySA fire crews attended 51 fires for the season, including 16 fires on private land, or land managed by other agencies.

A total of seven prescribed burns were carried out across 195ha during spring and autumn.

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

ForestrySA is a member of three Fire Cooperatives – South East, Southern Flinders and Mount Lofty Ranges. The cooperatives were formed in 2009 and are comprised of ForestrySA, CFS, DEWNR and SA Water. The agencies work together to develop and implement integrated prescribed burning programs, and to deliver integrated bushfire response arrangements.

COMMUNITY FORESTRY

COMMUNITY FORESTRY

| Performance measures | 2014-15 | 2013-14 |
|---|-----------------|-----------------|
| Forest visitors (recorded) | 116,870 | 144,153 |
| Permits issued | 14,290 | 13,700 |
| Forest events | 150 | 241 |
| Ranger FTE delivered | 7 | 7 |
| Field days, tours and presentations to the public providing information and interpretation of natural history and forest management | 7 | 5 |
| Groups actively engaged | 36 | 32 |
| Community engagement hours recorded | 19,869 (approx) | 15,760 (approx) |
| Forest education programs supported | 5 | 14 |
| Area of watercourse and wetland buffer zones | 116.95 ha | 106 |

COMMUNITY SERVICE OBLIGATIONS

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

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

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

NATIVE FOREST MANAGEMENT

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

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

COMMUNITY USE OF FOREST RESERVES

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

Updated visitor information signs have been installed at the Kuitpo Forest Information Centre.

New brochures for the Mount Crawford Forest (East) and a Flora Guide for the Kuitpo and Mount Crawford Forest Reserves were also produced.

ForestrySA continues to work in partnership with Bicycle SA and volunteers in development of the Cudlee Creek Forest – Mawson Network Trails.

The Friends of the Forests volunteer group the Human Projectiles have worked with ForestrySA to attract funding for trail development and signage to improve the mountain bike experience.

FOREST INDUSTRY DEVELOPMENT

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

Research projects undertaken in 2014-15 included:

- Planned re-establishment of Bundaleer Species Comparison Trial following the Bundaleer fire.
- Ongoing water monitoring in the Mount Lofty Ranges with no significant herbicide detections recorded.
- Maintenance of the Eucalyptus leucoxylon seed source trial with a view to converting the best sites to seed orchards.

SUPPORTING COMMUNITIES

PROUDLY SUPPORTING OUR LOCAL COMMUNITIES

ForestrySA maintains an annual sponsorship program and is very proud to support the communities in the areas that we do business.

| Recipient | Event / cause |
|---|---|
| Ronald McDonald House Adelaide | Donation for Room Rescue and Corporate Connection Programs |
| Timber Communities Australia | Annual Sponsorship |
| ANZIF 2014 Conference | Sponsorship of the 80th anniversary event hosted by the Institute of Foresters Australia |
| Wirrabara Publican's Golf Day | Donation to the annual event, raising money to rebuild football club infrastructure lost during the Bangor Bushfire |
| Fennell Forestry Truck Pull Challenge 2014 | Donation to the forest industry event, in support of Variety SA |
| Pines Enduro 2014 | Permit fees waived and in-kind support for off-road racing event held in Mount Burr Forest |
| Gottstein Trust | Patron |
| Women and Business and Regional Development | Donation to the Mount Gambier-based group |
| Movember | Support of ForestrySA's team, the "Hairy Loggers" |
| Nangwarry Forestry and Logging Museum | Donation |
| Christmas Party for Special Children 2014 | Donation to allow two South East children to attend event at the Adelaide Zoo |

FINANCIAL REPORT



STATEMENT OF COMPREHENSIVE INCOME

FOR THE SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED JUNE 2015

| | Note | Year ended 30 June 2015 \$'000 | Year ended 30 June 2014 \$'000 |
|---|--------------|--------------------------------------|--------------------------------------|
| Income | | | |
| Sales - timber products | | 18,436 | 18,867 |
| Wood sales - back to back | | 42,157 | 36,694 |
| Sales - management services | | 13,089 | 16,804 |
| Revenues from SA Government | 5(i) | 7,554 | 15,089 |
| Interest | 5(ii) | 626 | 703 |
| Other income | 5(iii) | 538 | 665 |
| Net gain from the disposal of non-current assets | 5(iv) | 144 | - |
| Total income | | 82,544 | 88,822 |
| Expenses | | | |
| Employee benefits | 7 | 11,274 | 22,717 |
| Contractors | | 13,286 | 11,108 |
| Wood purchases - back to back | | 42,157 | 36,694 |
| Depreciation and amortisation | 5(v), 14, 16 | 1,987 | 1,765 |
| Materials | | 946 | 1,178 |
| Equipment and vehicle costs | | 1,840 | 2,824 |
| Council rates | | 291 | 1,668 |
| Other expenditure | 5(vi) | 10,763 | 10,639 |
| Net loss from the disposal of non-current assets | 5(iv) | - | 229 |
| Total expenses | | 82,544 | 88,822 |
| Trading profit before revaluation of standing timber | | | |
| Net change in value of standing timber | 13 | 13,285 | (37,297) |
| Profit/(loss) before income tax equivalent | | 13,285 | (37,297) |
| Income tax equivalent expense | 6 | - | - |
| Net profit/(loss) after income tax equivalent | 9(ii) | 13,285 | (37,297) |
| Other comprehensive income | | | |
| Land revaluation recorded in asset revaluation surplus | 14 | 7,345 | (45,213) |
| Total other comprehensive income | | 7,345 | (45,213) |
| Total comprehensive result | | 20,630 | (82,510) |

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

STATEMENT OF FINANCIAL POSITION

FOR THE SOUTH AUSTRALIAN FORESTRY CORPORATION AS AT JUNE 2015

| | Note | 2015 \$'000 | 2014 \$'000 |
|--------------------------------------|------|----------------|----------------|
| Current assets | | | |
| Cash and cash equivalents | 9 | 18,376 | 27,383 |
| Receivables | 10 | 7,614 | 10,614 |
| Inventories | 11 | 759 | 1,575 |
| Standing timber | 13 | 3,145 | 2,419 |
| Assets classified as held for sale | 12 | - | 368 |
| Total current assets | | 29,894 | 42,359 |
| Non-current assets | | | |
| Standing timber | 13 | 44,812 | 32,253 |
| Property, plant and equipment | 14 | 61,642 | 55,548 |
| Intangible assets | 16 | 1,484 | 530 |
| Total non-current assets | | 107,938 | 88,331 |
| Total assets | | 137,832 | 130,690 |
| Current liabilities | | | |
| Payables | 17 | 6,437 | 12,165 |
| Employee benefits | 18 | 1,269 | 9,544 |
| Deferred income | 19 | 304 | 151 |
| Other provisions | 20 | 227 | 246 |
| Total current liabilities | | 8,237 | 22,106 |
| Non-current liabilities | | | |
| Payables | 17 | 296 | 252 |
| Employee benefits | 18 | 1,744 | 1,467 |
| Deferred income | 19 | 848 | 620 |
| Other provisions | 20 | 851 | 1,019 |
| Total non-current liabilities | | 3,739 | 3,358 |
| Total liabilities | | 11,976 | 25,464 |
| Net assets | | 125,856 | 105,226 |
| Equity | | | |
| Other reserves | | 83,300 | 62,670 |
| Retained earnings | | 42,556 | 42,556 |
| Total equity | | 125,856 | 105,226 |
| Commitments and contingencies | | | |
| Unrecognised contractual commitments | 23 | | |
| Contingent liabilities and assets | 23 | | |

STATEMENT OF CHANGES IN EQUITY

FOR THE SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED JUNE 2015

| | Asset revaluation surplus \$'000 | Standing timber reserve \$'000 | Retained earnings \$'000 | Total \$'000 |
|---|---|--------------------------------------|--------------------------------|-----------------|
| Balance at 30 June 2013 | 78,366 | 66,992 | 42,378 | 187,736 |
| Gain/(loss) on revaluation of property, plant and equipment | (45,213) | - | - | (45,213) |
| Net income/expense recognised directly in equity | (45,213) | - | - | (45,213) |
| Profit/(loss) for the period | - | - | (37,297) | (37,297) |
| Total comprehensive result for 2013-14 | (45,213) | - | (37,297) | (82,510) |
| Transfers to/(from) equity | (178) | (37,297) | 37,475 | - |
| Total change for the period | (45,391) | (37,297) | 178 | (82,510) |
| Balance at 30 June 2014 | 32,975 | 29,695 | 42,556 | 105,226 |
| Gain/(loss) on revaluation of property, plant and equipment | 7,345 | - | - | 7,345 |
| Net income/expense recognised directly in equity | 7,345 | - | - | 7,345 |
| Profit/(loss) for the period | - | - | 13,285 | 13,285 |
| Total comprehensive result for 2014-15 | 7,345 | - | 13,285 | 20,630 |
| Transfers to/(from) equity | - | 13,285 | (13,285) | - |
| Total change for the period | 7,345 | 13,285 | - | 20,630 |
| Balance at 30 June 2015 | 40,320 | 42,980 | 42,556 | 125,856 |

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

STATEMENT OF CASHFLOWS

FOR THE SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED JUNE 2015

| | Note | 2015 Inflows (Outflows) \$'000 | 2014 Inflows (Outflows) \$'000 |
|---|--------|-----------------------------------|-----------------------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 76,779 | 73,940 |
| Payments to suppliers and employees | | (92,717) | (81,609) |
| Interest received | | 648 | 687 |
| Receipts from SA Government | | 8,358 | 19,987 |
| GST remitted to Australian Taxation Office | | (756) | (737) |
| Net cash flows from operating activities | 9 (ii) | (7,688) | 12,268 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (350) | (548) |
| Purchase of intangible assets | | (1,352) | (294) |
| Proceeds from sale of assets | | 383 | 591 |
| Net cash flows from investing activities | | (1,319) | (251) |
| Net increase/(decrease) in cash held | | (9,007) | 12,017 |
| Cash and cash equivalents at the beginning of the period | | 27,383 | 15,366 |
| Cash and cash equivalents at the end of the period | 9 (i) | 18,376 | 27,383 |

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

1 CORPORATE INFORMATION

Role and function of the South Australian Forestry Corporation

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

Key responsibilities of ForestrySA are to:

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

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

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

Green Triangle agency arrangement

ForestrySA manages 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 the Memorandum of Administrative Arrangements, ForestrySA is required to perform the obligations of the Treasurer in accordance with the PMA.

- Under the PMA, ForestrySA manages silviculture operations for OFO in return for a fee comprising two components
 - I. Direct charges. While some silviculture expenses are paid directly by OFO, other expenses are incurred and paid by ForestrySA on behalf of OFO. These are recognised as expenses of ForestrySA in the Statement of Comprehensive Income.
 - II. General Overhead Charges (GOC) are paid by OFO to ForestrySA.
 - The operations deed between the Treasurer and OFO requires the performance, among other things, of specified fire management functions. ForestrySA provides these functions to OFO under the PMA.
 - ForestrySA 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 Treasurer as part of the forward sale. The arrangement for the provision of this funding resulted in a trading

result of nil in 2014-15 before the revaluation of standing timber.

Non-adjusting events after the reporting period

Subsequent to the balance sheet date, on 22 July 2015 changes to ForestrySA's agency arrangement were announced. OFO is set to take over plantation management from ForestrySA per the transition date, anticipated to be 1 October 2015. OFO has made employment offers to ForestrySA staff in the South East who are predominantly involved in providing plantation management services to OFO to manage the plantation.

There will be no change to OFO's conditions relating to log rotation length, domestic supply arrangements, annual reporting requirements of OFO to the SA Government, or replanting obligations, ensuring the long-term future of the forestry industry in the South East.

ForestrySA's operations in the Mid North and Mount Lofty Ranges will not be affected by this change. There will also be no impact on fire management. OFO will provide the same level of fire protection and management within its forest estates, and ForestrySA will continue to provide fire protection and management outside the estates.

The State Government will retain ownership of the forest land, water, and carbon rights, and ForestrySA will maintain a staff presence in the South East.

This transition will impact on ForestrySA's income for the 2015-16 and future financial years. Additionally, as part of the transition some property, plant & equipment, as well as the leave liabilities are transferred to OFO, impacting on its balance sheet and equity. At the time of reporting insufficient information is available to provide reliable estimates of the financial effects of this transition.

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. Except for AASB 2015-7 which ForestrySA has early adopted, Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by ForestrySA for the reporting period ending 30 June 2015. These are outlined in Note 2 (f).

(b) Basis of preparation

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

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

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

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.

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

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

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

(c) Reporting entity

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

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

(d) Comparative information

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

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

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

(e) Rounding

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

(f) New and revised accounting standards

In accordance with the new AASA 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*, which became effective for the first time in 2014-15, ForestrySA has reviewed its control assessments (ie. ForestrySA's involvement with the entity; protective and substantive rights; ability to direct major relevant activities etc) in accordance with AASB 10 and its classification assessments in accordance with AASB 11 and has concluded that there is no impact. ForestrySA does not currently control another entity and does not have any joint arrangements within the scope of AASB 11. ForestrySA will continue to review its involvement and arrangements with entities it is connected with to determine the impact of AASB 10 and 11 for future years.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by ForestrySA for the period ended 30 June 2015.

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

(g) Taxation

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

i. Income tax equivalent

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

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

ii. Goods and Services Tax (GST)

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

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

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

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.

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

(h) Income

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

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

Revenues from SA Government comprise funding for the:

- operation of the Government radio network and provision of Community Service Obligation activities, including community forestry, community fire protection and forestry industry development. This funding is recognised where there is reasonable assurance that the funding will be received and ForestrySA will comply with all attached conditions;
- purchase of CSO assets. This funding is recognised as a deferred income liability and progressively recognised as income in the Statement of Comprehensive Income on a straight line basis over the expected lives of the related assets;
- accounting losses incurred prior to taking into account the revaluation of standing timber. This funding arrangement was implemented by the SA Government to enable ForestrySA to undertake its operations after the forward sale of ForestrySA's harvesting rights. The arrangement resulted in a trading result of nil for 2014-15 before the revaluation of standing timber. Funding received in excess of the accounting losses is recognised as a payable back to the SA Government.

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

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

The gain or loss on disposal of assets, including revalued assets, is determined as the difference between the book value of the asset at the time of disposal and the proceeds of disposal and is included in the results in the year of disposal.

When revalued assets are sold, the revaluation increments are transferred to retained earnings in accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 3.19.

(i) Expenses

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

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

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

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

(j) Current and non-current classification

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

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, ForestrySA has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(k) Cash and cash equivalents

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

For the purposes of the Statement of Cash Flows, cash and

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

cash equivalents include cash at bank and deposits at call that are readily convertible to cash and used in the cash management function on a day-to-day basis.

Cash is measured at nominal value.

(l) Receivables

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

Trade receivables arise in the normal course of selling goods and services. Trade receivables are due within one month after the issue of an invoice, or if the goods or services have been provided under contractual arrangements. Other debtors arise outside the normal course of selling goods and services to the public.

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

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

(m) Fair Value Measurement

AASB 13 *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.

For the 30 June 2015 valuation ForestrySA engaged Indufor Asia Pacific Ltd to establish the valuation for its plantation estate in the Mount Lofty Ranges. Indufor is a New Zealand based company providing forest and forest industry valuation services internationally. ForestrySA determined the value of its other plantation estates internally.

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

Non-financial assets

In determining fair value, ForestrySA has taken into account the characteristics of the asset (e.g. condition and location

of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use that is physically possible, legally permissible 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. For the biological assets ForestrySA did not identify any factors to suggest an alternative use and therefore fair value measurement was based on current use. For the land assets the Valuer General adjusted the highest and best use, corrected for legal and constructive restrictions over the use of the land.

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

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

(n) Inventories

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

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

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

(o) Biological Assets

Biological Assets (Standing timber) are valued under the Net Present Value (NPV) income approach. This 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 standing timber and is consistent with industry best practice for standing timber valuation. ForestrySA has assessed the highest and best use for the standing timber as the current use which is the sale of saw log and the associated lower value products that are produced as a by-product to this process.

The new methodology has been approved by the Acting Treasurer 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.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

Assumptions underpinning the NPV calculation are:

- Forest valuations are based on the expected volumes of merchantable timber that will be realised from existing stands, given current management strategies and timber recovery rates;
- Only the current crop is valued. The cash flow analysis is based on the anticipated timing of the harvest of existing stands, which has been developed in the context of sustained yield management;
- Volume increments/decrements are determined both by periodic re-measurement of forest samples and by modelling growth from the date of the most recent measurement to date of harvest;
- Prices used in the NPV calculation are reflective of estimated future prices, based on current understanding of the market forces impacting historical prices;
- Costs used in the NPV calculation are based on current operating costs, adjusted for anticipated increases in operational efficiency over the next few years.

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

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

The discount rate used is 8.5% (2014: 7.6%) (pre-tax real) which incorporates ForestrySA's assessment of the risk free rate and the risk weighting of forestry. The use of a 'real' discount rate effectively allows for all prices and costs to be expressed in current dollar terms.

The difference between the fair value of the standing timber held at the reporting date and the fair value at the previous reporting date, after allowing for standing timber acquired and purchased standing timber harvested, is recognised in the Statement of Comprehensive Income as the net change in value of standing timber. All forest expenditure is recognised as an expense in the year it is incurred. The change in valuation is an unrealised gain and is disclosed in Note 13. The material realised loss due to fire is disclosed separately in Note 13.

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

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

affecting the standing timber valuation as at 30 June 2015.

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

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

(p) Property, plant and equipment

i. Recognition and measurement

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

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

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

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

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

ForestrySA historically applied no value to land declared native forest reserve, on the assumption that this land's fair value is limited. Since 2013-14 ForestrySA has adopted the fair value measurement provided by the expert valuer, irrespective if this land is land declared native forest reserve or not.

ii. Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

changes in circumstance indicate that the carrying value may be impaired.

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

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

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

iii. Non-current assets held for sale

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

iv. Revaluation

Land has been revalued as at 30 June 2015, while buildings and structures were re-valued as at 30 June 2011, in accordance with *APF III Asset Accounting Framework*. Assets in other asset classes are deemed to have been revalued to their fair values immediately following recognition at cost.

The basis of the revaluation of land performed by the Valuer General 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 the Valuer-General determines the site and capital values on an annual basis as at 1 January each year. These statutory values are derived from available market evidence around the date of valuation, and are considered to provide a suitable basis from which to derive selected values under fair value measurement. Adjustments are then applied to reflect the restrictions on potential highest and best use imposed by legislation associated with the operations of ForestrySA.

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

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

At least every five years, an independent valuation appraisal of ForestrySA's buildings and structures will

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

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

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

Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset.

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

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

v. Depreciation and amortisation of non-current assets.

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

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

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

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

Land and assets held for sale are not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

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 |

(q) Intangible assets

Intangible assets include purchased software and development costs for software tools. Intangible assets are measured at cost less accumulated amortisation and impairment losses.

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

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

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

(r) Trade and other payables

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

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

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

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

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

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

(s) Employee benefits

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

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

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

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

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

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

(t) Leases

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

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

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

(u) Insurance

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

ForestrySA is self-insured for major fire losses of the forest. In addition, ForestrySA is self-insured for workers compensation.

(v) Provisions

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

(w) Unrecognised contractual commitments and contingent assets and liabilities

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

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

3 FINANCIAL RISK MANAGEMENT

Risk management is managed by ForestrySA's corporate services section and its risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

ForestrySA is exposed to financial risk - liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting period.

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

The nature and location of ForestrySA's forestry operations cause concentration of credit risk in relation to trade receivables, as 88% of the value of transactions for the financial year were transactions with the four largest of ForestrySA's customers (2014: 86% for the six largest).

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

4 SEGMENT INFORMATION

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

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

5 REVENUE, OTHER INCOME AND EXPENSES

(i) Revenues from SA Government

| | Note | 2015 \$'000 | 2014 \$'000 |
|---|------|----------------|----------------|
| Community Service Obligation funding ¹ | 1 | 3,895 | 3,154 |
| Other revenues from SA Government | | 3,237 | 11,533 |
| Government Radio Network funding | | 380 | 374 |
| Deferred revenues from SA Government ¹ | | 42 | 28 |
| Revenues from SA Government | | 7,554 | 15,089 |

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

(ii) Interest received or receivable

| | Note | 2015 \$'000 | 2014 \$'000 |
|--|------|----------------|----------------|
| Interest received or receivable related to cash balances | | 479 | 466 |
| Interest received or receivable related to trade receivables | | 147 | 237 |
| Interest revenue | | 626 | 703 |

(iii) Other income

| | Note | 2015 \$'000 | 2014 \$'000 |
|---|------|----------------|----------------|
| Other revenue from non SA Government entities | | 538 | 665 |
| Other income | | 538 | 665 |

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

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

| | Note | 2015 \$'000 | 2014 \$'000 |
|--|------|----------------|----------------|
| Land and buildings | | | |
| Net proceeds from disposal | | - | (11) |
| Less net book value of assets disposed | 14 | - | (33) |
| Net (loss) from disposal of land and buildings | | - | (44) |
| Plant and equipment | | | |
| Net proceeds from disposal | | 22 | 98 |
| Less net book value of assets disposed | 14 | (7) | (47) |
| Net gain/(loss) from disposal of plant and equipment | | 15 | 51 |
| Assets classified as held for sale | | | |
| Net proceeds from disposal | 12 | 361 | 642 |
| Less net book value of assets disposed | | (232) | (878) |
| Net (loss) from disposal of assets held for sale | | 129 | (236) |
| Total assets | | | |
| Net proceeds from disposal | | 383 | 729 |
| Less net book value of assets disposed | | (239) | (958) |
| Net (loss) from disposal of total assets | | 144 | (229) |

(v) Charging as expenses

| | Note | 2015 \$'000 | 2014 \$'000 |
|---|------|----------------|----------------|
| Harvesting and transport costs | | 7,883 | 7,051 |
| Depreciation of non-current assets | 14 | 1,589 | 1,682 |
| Amortisation | 16 | 398 | 83 |
| Rental expense on property operating leases | | 19 | 22 |
| Consultants ¹ | | 95 | 90 |

¹ includes payments to seven (2014: four) consultants.

(vi) Other expenditure

| | Note | 2015 \$'000 | 2014 \$'000 |
|--------------------------------------|------|----------------|----------------|
| Doubtful debt provision / write down | 10 | 137 | 111 |
| Export - shipping | | 3,623 | 4,057 |
| Export - marketing & other | | 3,067 | 2,540 |
| Other | | 3,936 | 3,931 |
| | | 10,763 | 10,639 |

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

6 INCOME TAX EQUIVALENT

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

Income tax equivalent

Accounting for income tax for the 2015 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 standing timber revaluations from the accounting profit before ForestrySA calculates its income tax equivalent payment.

The income tax equivalent expense was nil for the reporting period (2014: nil).

7 EMPLOYEE BENEFITS

| | 2015 \$'000 | 2014 \$'000 |
|--|----------------|----------------|
| Salaries and wages | 8,340 | 12,156 |
| Long service leave | 392 | (144) |
| Retention leave | 30 | 39 |
| Annual leave | 653 | 925 |
| Employment on-costs - superannuation | 1,287 | 1,851 |
| Targeted Voluntary Separation Packages | 79 | 7,087 |
| Employment on-costs - other | 493 | 803 |
| | 11,274 | 22,717 |
| Targeted Voluntary Separation Packages (TVSPs) | | |
| Amount paid or payable during the reporting period to separated employees: | | |
| TVSPs | 79 | 7,087 |
| Annual leave and long service leave paid or payable to those employees | 236 | 1,852 |
| Retention leave paid or payable to those employees | - | 38 |
| Recovery from the Department of Treasury and Finance related to TVSP | (315) | (8,977) |
| Net cost to ForestrySA | - | - |

The number of employees who received or are entitled to receive TVSPs during the reporting period was nil (2014: 66). Three employees received adjustments in 2015 to their 2014 TVSP entitlements (2014: nil).

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

7 EMPLOYEE BENEFITS CONT.

| | 2015 number | 2014 number |
|--|----------------|----------------|
| Compensation of employees whose income was over the base executive remuneration level | | |
| The number of employees whose income, excluding TVSP, was within the following bands: | | |
| \$141,500 - \$151,499 | 2 | - |
| \$151,500 - \$161,499 | 1 | 1 |
| \$161,500 - \$171,499 | 1 | 2 |
| \$171,500 - \$181,499 | 3 | 2 |
| \$181,500 - \$191,499 | 1 | - |
| \$191,500 - \$201,499 | - | 1 |
| \$221,500 - \$231,499 | - | - |
| \$231,500 - \$241,500 | - | 1 |
| \$261,500 - \$271,499 | 1 | - |
| \$281,500 - \$291,499 | - | 1 |
| \$391,500 - \$401,499 ¹ | 1 | - |
| Total number of employees | 10 | 8 |

¹Includes 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 \$2.0 million (2014: \$1.6 million).

8 AUDITORS' REMUNERATION

| | 2015 \$'000 | 2014 \$'000 |
|--|----------------|----------------|
| Audit fees paid / payable to the Auditor-General's Department relating to the audit of the financial statements. | 197 | 190 |
| | 197 | 190 |

Other services

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

Auditor's remuneration costs recognised in the Statement of Comprehensive Income under 'Other expenses' includes an additional \$36,000 relating to 2013-14 audit services provided by the Auditor-General's Department.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

9 CASH AND CASH EQUIVALENTS

| | 2015 \$'000 | 2014 \$'000 |
|-----------------------------------|----------------|----------------|
| Cash | 1 | 2 |
| Deposits | 4,243 | 19,568 |
| Cash Management Fund | 14,132 | 7,813 |
| Deposits and Cash Management Fund | 18,376 | 27,383 |

Deposits and Cash Management Fund

Deposits includes funds held with the Commonwealth Bank of Australia (CBA). The balance of these funds is not available for general use ie. 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.**

Cash flows reconciliation

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

| | 2015 \$'000 | 2014 \$'000 |
|--|----------------|----------------|
| Cash and cash equivalents as per statement of financial position | 18,376 | 27,383 |
| Cash and cash equivalents as per statement of cash flows | 18,376 | 27,383 |

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

| | 2015 \$'000 | 2014 \$'000 |
|--|----------------|----------------|
| Net profit/(loss) after income tax equivalents | 13,285 | (37,297) |
| Non cash items | | |
| Net change in value of standing timber - other | (13,285) | 37,297 |
| Impairment of assets held for sale | - | 57 |
| Depreciation and amortisation | 1,987 | 1,765 |
| Other asset transactions | 141 | - |
| Loss/(gain) on disposal of assets | (144) | 229 |
| | (11,301) | 39,348 |
| Changes in operating assets and liabilities | | |
| (Increase)/Decrease in receivables | 3,000 | 370 |
| (Increase)/Decrease in inventories | 816 | (1,032) |
| (Decrease)/Increase in payables | (5,684) | 5,156 |
| (Decrease)/Increase in provisions | (187) | 40 |
| (Decrease)/Increase in employee benefits | (7,998) | 5,764 |
| (Decrease)/Increase in deferred income | 381 | (81) |
| Net cash flows from changes in operating balances | (9,672) | 10,217 |
| Net cash flows from operating activities | (7,688) | 12,268 |

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

10 RECEIVABLES

| | 2015 \$'000 | 2014 \$'000 |
|---------------------|----------------|----------------|
| CURRENT | | |
| Trade receivables | 7,551 | 10,477 |
| Less doubtful debts | (247) | (111) |
| Accrued revenue | 35 | 53 |
| Prepayments | 275 | 195 |
| | 7,614 | 10,614 |

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

Receivables are normally settled within 30 days. Trade receivables and accrued revenues are non-interest bearing until after 30 days. 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.

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

As at 30 June 2015 \$1.6 million of trade receivables were overdue (2014: \$1.3 million).

Movement in the allowance for doubtful debts

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

| | 2015 \$'000 | 2014 \$'000 |
|--|----------------|----------------|
| Carrying amount at the beginning of the period | 111 | 24 |
| Increase in allowance recognised in profit or loss | 136 | 111 |
| Amounts written off | - | (22) |
| Amounts recovered during the year | - | (2) |
| Carrying amount at the end of the period | 247 | 111 |

11 INVENTORIES

| | 2015 \$'000 | 2014 \$'000 |
|----------------------|----------------|----------------|
| CURRENT | | |
| Roading rubble | 29 | 79 |
| Export log | 566 | 922 |
| Materials and stores | 164 | 574 |
| | 759 | 1,575 |

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

12 ASSETS CLASSIFIED AS HELD FOR SALE

| | 2015 \$'000 | 2014 \$'000 |
|---|----------------|----------------|
| Non-current assets classified as held for sale | | |
| Land and buildings, property, plant and equipment | - | 368 |
| | - | 368 |

13 STANDING TIMBER

| | 2015 \$'000 | 2014 \$'000 |
|---|----------------|----------------|
| Opening balance | 34,672 | 71,969 |
| Loss due to fire ¹ | - | (8,474) |
| Other Revaluation / Impairment | 13,285 | (28,823) |
| Net change recorded in statement of comprehensive income | 13,285 | (37,297) |
| Closing balance | 47,957 | 34,672 |
| Unrealised (loss)/gain for the period included in the Statement of Comprehensive Income | 13,285 | (28,823) |

ForestrySA has adopted the Discounted Cash Flow method to value the current standing timber. For the 2015 financial year ForestrySA has engaged Indufor Asia Pacific to provide this DCF valuation (2014: internal ForestrySA valuation model). ForestrySA is recognising the single rotation forest valuation, being \$47,957,000. The DCF for multiple rotations is valued at \$29,309,000 per Indufor.

¹ No separate calculation of the loss due to fire is derived under the DCF method.

The standing timber comprises the following:

| Fair Value | | |
|--|--------|--------|
| Standing timber as held to maturity | 47,957 | 34,672 |
| Total fair value | 47,957 | 34,672 |
| CURRENT ASSET | | |
| Current portion of standing timber valuation | 3,145 | 2,419 |
| NON-CURRENT ASSET | | |
| Non-current portion of standing timber valuation | 44,812 | 32,253 |

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

14 PROPERTY, PLANT AND EQUIPMENT

| | Land \$ '000 | Buildings and structures \$ '000 | Roads and land improvements \$ '000 | Plant and equipment \$ '000 | Total \$ '000 |
|---|-----------------|--|---|-----------------------------------|------------------|
| Year ended 30 June 2014 | | | | | |
| As at 1 July 2013, net of accumulated depreciation and impairment | 77,008 | 11,272 | 2,383 | 11,548 | 102,211 |
| Additions / transfers | - | 16 | 386 | 136 | 538 |
| Disposals | - | (33) | - | (47) | (80) |
| Assets reclassified to assets held for sale | - | - | - | (226) | (226) |
| Revaluation increments | - | - | - | - | - |
| Revaluation decrements | (45,213) | - | - | - | (45,213) |
| Impairment | - | - | - | - | - |
| Depreciation charge for the year | - | (509) | (208) | (965) | (1,682) |
| Transfers within asset classes | - | - | - | - | - |
| Net of accumulated depreciation and impairment | 31,795 | 10,746 | 2,561 | 10,446 | 55,548 |
| At 30 June 2014 | | | | | |
| Cost or fair value | 31,795 | 12,268 | 4,757 | 21,424 | 70,244 |
| Accumulated depreciation and impairment | - | (1,522) | (2,196) | (10,978) | (14,696) |
| Net carrying amount | 31,795 | 10,746 | 2,561 | 10,446 | 55,548 |
| Year ended 30 June 2015 | | | | | |
| As at 1 July 2014, net of accumulated depreciation and impairment | 31,795 | 10,746 | 2,561 | 10,446 | 55,548 |
| Additions / transfers | - | 8 | 224 | 43 | 275 |
| Disposals | - | - | - | (7) | (7) |
| Assets reclassified to assets held for sale | - | - | - | - | - |
| Revaluation increments | 7,345 | - | - | - | 7,345 |
| Revaluation decrements | - | - | - | - | - |
| Depreciation charge for the year | - | (536) | (187) | (866) | (1,589) |
| Transfers within asset classes | - | - | - | 70 | 70 |
| Net of accumulated depreciation and impairment | 39,140 | 10,218 | 2,598 | 9,686 | 61,642 |
| At 30 June 2015 | | | | | |
| Cost or fair value | 39,140 | 12,276 | 4,982 | 21,459 | 77,857 |
| Accumulated depreciation and impairment | - | (2,058) | (2,384) | (11,773) | (16,215) |
| Net carrying amount | 39,140 | 10,218 | 2,598 | 9,686 | 61,642 |

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

14 PROPERTY, PLANT AND EQUIPMENT CONT

Revaluation of land and buildings and structures

ForestrySA uses the services of the Valuer General in 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 knowledgeable willing buyer and a knowledgeable willing seller in an arms' length transaction as at the valuation date. The effective date of the land revaluations is 30 June 2015.

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

Carrying amount of plant and equipment

All items of plant and equipment had a 'fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years', and have not been revalued in accordance with APF III. The carrying value of these items are deemed to approximate fair value. These assets are classified in level 3 as there have been no subsequent adjustments to their value, except for management assumptions about the assets' condition and remaining useful life. Plant and equipment includes \$106,000 of fully depreciated (to salvage value) property still in use.

Impairment

There were no indications of impairment of roads and land improvements and plant and equipment assets at 30 June 2015.

15 FAIR VALUE MEASUREMENT

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

Fair value recognised in the balance sheet are categorised into level 2 for land and level 3 for other assets at 30 June 2015. Land was valued by the Valuer General and was recategorised to 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 as the fair value less costs to sell was lower than carrying amount.

Fair value measurements at 30 June 2015

| | Note | 2015 \$ '000 | Level 2 \$ '000 | Level 3 \$ '000 |
|--|------|-----------------|--------------------|--------------------|
| Recurring fair value measurements | | | | |
| Standing timber | 13 | 47,957 | - | 47,957 |
| Land | 14 | 39,140 | 39,140 | - |
| Buildings and structures | 14 | 10,218 | - | 10,218 |
| Roads and land improvements | 14 | 2,598 | - | 2,598 |
| Plant and equipment | 14 | 9,686 | - | 9,686 |
| Total recurring fair value measurements | | 109,599 | 39,140 | 70,459 |
| Non-recurring fair value measurements | | | | |
| Assets held for sale | 12 | - | - | - |
| Total non-recurring fair value measurements | | - | - | - |

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

15 FAIR VALUE MEASUREMENT CONT.

Fair value measurements at 30 June 2014

| | Note | 2014 \$ '000 | Level 2 \$ '000 | Level 3 \$ '000 |
|--|------|-----------------|--------------------|--------------------|
| Recurring fair value measurements | | | | |
| Standing timber | 13 | 34,672 | - | 34,672 |
| Land | 14 | 31,795 | - | 31,795 |
| Buildings and structures | 14 | 10,746 | - | 10,746 |
| Roads and land improvements | 14 | 2,561 | - | 2,561 |
| Plant and equipment | 14 | 10,446 | - | 10,446 |
| Total recurring fair value measurements | | 90,220 | - | 90,220 |
| Non-recurring fair value measurements | | | | |
| Assets held for sale | 12 | 368 | - | 368 |
| Total non-recurring fair value measurements | | 368 | - | 368 |

Valuation techniques and inputs

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

Although unobservable inputs were used in determining fair value and are subjective, ForestrySA considers that the 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).

| | 2015 \$ '000 | 2014 \$ '000 |
|--|-----------------|-----------------|
| Total valuation gains and losses | | |
| Standing timber | 13,285 | (37,297) |
| Land | 7,345 | (45,213) |
| Total valuations gain (loss) for the year | 20,630 | (82,510) |

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

15 FAIR VALUE MEASUREMENT CONT.

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

| Description | Valuation technique | Unobservable inputs |
|--------------------------|-----------------------------------|---|
| Standing Timber | Discounted Cash Flow | Discount rate (pre-tax real) - 8.5% (2014:7.6%) |
| | | Estimated timber prices derived from available market projections |
| | | Estimated yield per hectare and site quality |
| | | Area-based and volume-based indirect and overhead costs |
| Land ¹ | Market approach | Valuer General's statutory valuation derived from available market evidence |
| | | Discount factors for legal restrictions - GT 40% (2014: 40%), MLR 65% (2014: 70%), MN 55% (2014: 65%) |
| Buildings and structures | Market approach | External valuation report |
| Roads and Improvements | Cost approach | Useful life - 20-25 years |
| Plant and Equipment | Cost approach | Useful life - 3-25 years |
| Assets held for sale | Fair value less costs of disposal | Market assessment |

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

Sensitivity analysis standing timber

ForestrySA has adopted the Discounted Cash Flow method related to the current standing timber. For the 2015 financial year ForestrySA has engaged Indufor Asia Pacific to provide this DCF valuation for its plantations in the Mount Lofty Ranges (2014: internal ForestrySA valuation model). ForestrySA is recognising the single rotation forest valuation, being \$47,957,000. The DCF for multiple rotations is valued at \$29,302,000 per Indufor's valuation.

For ForestrySA's plantations in the Mid North of the state, their DCF valuation was determined internally.

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

| % Change in DCF inputs | -10% | -5% | 0% | +5% | +10% |
|--|--------|--------|--------|--------|--------|
| Revenue | 35,091 | 41,524 | 47,957 | 54,390 | 60,823 |
| Production costs | 51,888 | 49,923 | 47,957 | 45,991 | 44,026 |
| Transport costs | 51,136 | 49,547 | 47,957 | 46,367 | 44,778 |
| Operational expenditure | 48,182 | 48,069 | 47,957 | 47,845 | 47,732 |
| Area based selling, general and administrative expenditure | 48,692 | 48,324 | 47,957 | 47,590 | 47,222 |
| | | | | | |
| DCF input | 7.5% | 8.0% | 8.5% | 9.0% | 9.5% |
| Discount rate | 52,328 | 50,063 | 47,957 | 45,995 | 44,164 |

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

15 FAIR VALUE MEASUREMENT CONT.

Reconciliation of fair value measurements

| | Standing timber | Land | Buildings and structures | Roads and land improvements | Plant and equipment |
|--|-----------------|----------|--------------------------|-----------------------------|---------------------|
| Opening balance at 1 July 2014 | 34,672 | 31,795 | 10,746 | 2,561 | 10,446 |
| Acquisitions | - | - | 8 | 224 | 43 |
| Disposals | - | - | - | - | (7) |
| Transfer out of level 3 ¹ | - | (31,795) | - | - | - |
| Transfer into level 2 ¹ | - | 31,795 | - | - | - |
| Depreciation | - | - | (536) | (187) | (866) |
| Transfers within asset classes | - | - | - | - | 70 |
| | - | - | (528) | 37 | (760) |
| Total gains / (losses) for the period in other comprehensive income: | | | | | |
| Revaluation increment / (decrement) | 13,285 | 7,345 | - | - | - |
| | 13,285 | 7,345 | - | - | - |
| Closing balance at 30 June 2015 | 47,957 | 39,140 | 10,218 | 2,598 | 9,686 |

¹ Land transferred from level 3 to level 2 as per Valuer General's Report

Reconciliation of fair value measurements

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

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

16 INTANGIBLE ASSETS

| | 2015 \$ '000 | 2014 \$ '000 |
|--|-----------------|-----------------|
| COMPUTER SOFTWARE | | |
| As at 1 July, net of accumulated amortisation and impairment | 530 | 320 |
| Additions | 1,352 | 294 |
| Disposals | - | (1) |
| Amortisation charge for the year | (398) | (83) |
| Total computer software, net of accumulated amortisation and impairment | 1,484 | 530 |
| As at 30 June: | | |
| Cost or fair value | 3,310 | 1,962 |
| Accumulated amortisation and impairment | (1,826) | (1,432) |
| Net Carrying Amount | 1,484 | 530 |

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 2015.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

17 PAYABLES

| | 2015 \$ '000 | 2014 \$ '000 |
|---------------------------|-----------------|-----------------|
| CURRENT | | |
| Trade payables | 6,009 | 6,712 |
| Accrued expenses | 284 | 5,131 |
| Employee benefit on-costs | 144 | 322 |
| | 6,437 | 12,165 |
| NON-CURRENT | | |
| Employee benefit on-costs | 296 | 252 |
| | 296 | 252 |

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the percentage of the proportion of long service leave taken as leave has decreased to 37% (2014: 40%) and the average factor for the calculation of employer superannuation cost on-cost has remained at 10.3%.

Interest rate and credit risk

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

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

18 EMPLOYEE BENEFITS

| | 2015 \$ '000 | 2014 \$ '000 |
|--|-----------------|-----------------|
| CURRENT | | |
| Accrued salaries and wages | 359 | (82) |
| Targeted Voluntary Separation Packages | 79 | 7,087 |
| Long service leave | 223 | 1,789 |
| Retention leave | 47 | 35 |
| Banking of time | 28 | 32 |
| Annual leave | 533 | 683 |
| | 1,269 | 9,544 |
| NON-CURRENT | | |
| Long service leave | 1,744 | 1,467 |
| | 1,744 | 1,467 |

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

The Targeted Voluntary Separation Packages (TVSPs) relates to ForestrySA employees that were offered and accepted TVSPs at or before year end 2014.

AASB119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a set level of liability for the measurement of long service leave. AASB119 and APF IV APS 5.10 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 Commonwealth Government bonds has decreased from 3.5% (2014) to 3.0% (2015).

The decrease in bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4 percent. The net financial effect of the change in discount and salary inflation rates is immaterial.

19 DEFERRED INCOME

| | 2015 \$ '000 | 2014 \$ '000 |
|---|-----------------|-----------------|
| CURRENT | | |
| Deferred income | 304 | 151 |
| | 304 | 151 |
| NON-CURRENT | | |
| Deferred income | 848 | 620 |
| | 848 | 620 |
| Movement in deferred income | | |
| Carrying amount at the beginning of the period | 771 | 852 |
| Received during the year | 754 | 153 |
| Recognised as income in the Statement of Comprehensive Income | (373) | (234) |
| Carrying amount at the end of the period | 1,152 | 771 |

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

20 OTHER PROVISIONS

| | 2015 \$ '000 | 2014 \$ '000 |
|--------------------------------------|-----------------|-----------------|
| CURRENT | | |
| Workers compensation | 227 | 246 |
| | 227 | 246 |
| Opening balance | 246 | 240 |
| Payments | - | (60) |
| Increments in provision | - | 66 |
| Closing balance | 246 | 246 |
| NON-CURRENT | | |
| Workers compensation | 851 | 1,019 |
| | 851 | 1,019 |
| Movement in other provisions | | |
| Opening balance | 1,019 | 985 |
| Payments | - | - |
| Increments/(decrements) in provision | (168) | 34 |
| Closing balance | 851 | 1,019 |

The provision is recognised to reflect unsettled workers compensation claims based on an actuarial assessment performed by the Office of the Public Sector.

21 EQUITY

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

Since 2006 the requirements of the ownership framework for ForestrySA indicate that ForestrySA shall pay an annual contribution to Government consisting of a dividend calculated as 90 percent of after tax profit, adjusted for standing timber revaluation gains and losses, plus an income tax equivalent payment. ForestrySA has not declared any special dividend or other dividend in 2015 or 2014.

22 SEGMENT INFORMATION

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

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

No operating segments have been aggregated to form the above reportable operating segments.

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.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

22 SEGMENT INFORMATION CONT.

| Year ended 30 June 2015 | GT | MLR | MN | CSO | Corporate | Total |
|---|-----------------|-----------------|----------------|----------------|----------------|-----------------|
| Income | | | | | | |
| Sales - timber products | - | 13,403 | 5,033 | - | - | 18,436 |
| Wood purchases - back to back | 42,157 | - | - | - | - | 42,157 |
| Sales - management services | 8,110 | - | - | - | 4,979 | 13,089 |
| Comm Service Obligation funding | - | - | - | 3,895 | - | 3,895 |
| Revenues from SA Government | (8) | (1) | - | (276) | 380 | 95 |
| Interest | - | 148 | - | - | 478 | 626 |
| Other income | 258 | 28 | 50 | 191 | 11 | 538 |
| Net gain from the disposal of non-current assets | 109 | 11 | - | 21 | 3 | 144 |
| Total Income before other revenues from SA Government | 50,626 | 13,589 | 5,083 | 3,831 | 5,851 | 78,980 |
| Expenses | | | | | | |
| Employee benefits | (3,956) | (1,311) | (148) | (1,720) | (4,139) | (11,274) |
| Contractors | (1,079) | (7,172) | (3,064) | (1,342) | (629) | (13,286) |
| Wood purchases - back to back | (42,157) | - | - | - | - | (42,157) |
| Depreciation and amortisation | (814) | (245) | (37) | (383) | (508) | (1,987) |
| Materials | (412) | (436) | (35) | (59) | (4) | (946) |
| Equipment and vehicle costs | (1,206) | (445) | (47) | (128) | (14) | (1,840) |
| Council rates | (22) | (249) | (20) | - | - | (291) |
| Other expenditure | (871) | (4,666) | (2,141) | (479) | (2,606) | (10,763) |
| Total expenses | (50,517) | (14,524) | (5,492) | (4,111) | (7,900) | (82,544) |
| Segment profit | | | | | | |
| Trading profit before revaluation of standing timber and other revenues from SA Government | 109 | (935) | (409) | (280) | (2,049) | (3,564) |
| Other revenues from SA Government | (109) | 935 | 409 | 280 | 2,049 | 3,564 |
| Trading profit before revaluation of standing timber | - | - | - | - | - | - |
| Net change in value of standing timber | - | 13,285 | - | - | - | 13,285 |
| Land revaluation recorded in asset revaluation sur | 398 | 4,594 | 1,235 | 1,118 | - | 7,345 |
| Total comprehensive result | 398 | 17,879 | 1,235 | 1,118 | - | 20,630 |
| 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 2015

22 SEGMENT INFORMATION CONT.

| Year ended 30 June 2014 | GT | MLR | MN | CSO | Corporate | Consolidated |
|--|-----------------|-----------------|-----------------|----------------|-----------------------|-----------------|
| Income | | | | | | |
| Sales - timber products | - | 17,888 | 979 | - | - | 18,867 |
| Wood purchases - back to back | 36,694 | - | - | - | - | 36,694 |
| Sales - management services | 12,269 | - | - | - | 4,535 | 16,804 |
| Comm Service Obligation funding | - | - | - | 3,154 | - | 3,154 |
| Revenues from SA Government | (33) | (3) | - | 63 | 375 | 402 |
| Interest | - | 237 | 1 | - | 465 | 703 |
| Other income | 184 | 31 | 33 | 334 | 83 | 665 |
| Total Income before other revenues from SA Government | 49,114 | 18,153 | 1,013 | 3,551 | 5,458 | 77,289 |
| Expenses | | | | | | |
| Employee benefits | (6,058) | (1,999) | (227) | (1,839) | (12,594) ¹ | (22,717) |
| Contractors | (1,573) | (7,242) | (1,105) | (766) | (422) | (11,108) |
| Wood purchases - back to back | (36,694) | - | - | - | - | (36,694) |
| Depreciation and amortisation | (1,178) | (344) | (47) | (100) | (96) | (1,765) |
| Materials | (664) | (383) | (57) | (66) | (8) | (1,178) |
| Equipment and vehicle costs | (1,783) | (494) | (74) | (414) | (59) | (2,824) |
| Council rates | (1,409) | (241) | (18) | - | - | (1,668) |
| Other expenditure | 307 | (6,184) | (500) | (1,352) | (2,910) | (10,639) |
| Net loss from the disposal of non-current assets | (246) | 47 | - | (30) | - | (229) |
| Total expenses | (49,298) | (16,840) | (2,028) | (4,567) | (16,089) | (88,822) |
| Segment profit | | | | | | |
| Trading profit before revaluation of standing timber and other revenues from SA Government | (184) | 1,313 | (1,015) | (1,016) | (10,631) | (11,533) |
| Other revenues from SA Government | 184 | (1,313) | 1,015 | 1,016 | 10,631 | 11,533 |
| Trading profit before revaluation of standing timber | - | - | - | - | - | - |
| Net change in value of standing timber | - | (25,828) | (11,469) | - | - | (37,297) |
| Land revaluation recorded in asset revaluation sur | 233 | (45,059) | (6,238) | 5,851 | - | (45,213) |
| Total comprehensive result | 233 | (70,887) | (17,707) | 5,851 | - | (82,510) |

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

¹ Includes \$7,087,000 of termination payments in the Corporate segment.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

23 COMMITMENTS AND CONTINGENCIES

a) Commitments

| | 2015 \$ '000 | 2014 \$ '000 |
|--|-----------------|-----------------|
| i) Operating lease commitments | | |
| Non cancellable operating leases contracted for but not capitalised in the accounts: | | |
| Due not later than one year | 339 | 483 |
| Due later than one year but not later than five years | 201 | 379 |
| Total operating lease commitments | 540 | 862 |

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

ii) Remuneration commitments

| | | |
|---|---------------|--------------|
| Due not later than one year | 5,548 | 3,427 |
| Due later than one year but not later than five years | 4,947 | 2,577 |
| Total remuneration commitments | 10,495 | 6,004 |

The remuneration commitments relate to employee agreements ForestrySA has entered into with employees for a fixed period of time. The nature of the calculations to derive the amounts presented, which are based on a range of simplified assumptions about variables that will impact the future dollar outcome of the commitments to ForestrySA, is such that the presented figures provide an indicative amount.

iii) Other commitments

| | | |
|---|--------------|---------------|
| Due not later than one year | 3,963 | 4,544 |
| Due later than one year but not later than five years | 3,823 | 8,289 |
| Total other commitments | 7,786 | 12,833 |

Table # - Commitments and contingencies

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

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

b) Contingent Liabilities

Defined Benefit Plans - Superannuation Board payments

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

ForestrySA was notified by the SA Superannuation Board in 2015 of a \$2.8 million actuarially assessed funding deficit relating to defined benefit members employed by ForestrySA as at 1 July 2014, requiring additional contributions over 15 years. The previous 2013 actuarial assessment indicated a deficit of \$6.7 million. In addition to regular contributions in relation to current superannuation benefits ForestrySA has expensed \$455,000 (2014: \$583,000) 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. The annual payment and expense is increased by 4% annually until a new actuarial assessment by the SA Superannuation Board is issued.

c) Contingent Assets

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

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

24 EXECUTIVE DISCLOSURES

(a) Details of key management personnel

| Executive | |
|------------------|---|
| J.P. Coleman | Acting Chief Executive (appointed 4 October 2014, previously Chief Financial Officer) |
| A. Hatch | Acting Chief Executive |
| J. Jagger | General Manager Commercial GT |
| O.P. Le Roux | Chief Operations Officer (appointed 7 October 2014) |
| J.F. O'Hehir | General Manager Strategy and Development |
| G.K. Saunder | General Manager Silviculture and Protection |
| E. Thorpe | General Manager Human Resources (appointed 27 October 2014) |
| J.F. Zwijnenburg | Acting Chief Financial Officer (appointed 4 October 2014) |

(b) Compensation of key management personnel

| | 2015 \$ '000 | 2014 \$ '000 |
|--|-----------------|-----------------|
| Short term employee benefits paid or due and payable to or on behalf of key management personnel | 1,299 | 1,025 |
| Termination payments paid or due and payable to or on behalf of key management personnel | 121 | 128 |
| Superannuation benefits paid or due and payable to or on behalf of key management personnel | 211 | 181 |
| Total | 1,631 | 1,334 |

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

25 DIRECTORS AND RELATED PARTY DISCLOSURES

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

| |
|--------------------------|
| I.J. Kowalick - Chairman |
| A. Darras |
| A. McCleary |
| J. Obst |
| J. Roache ¹ |

Transactions between ForestrySA and its directors are made at arms length. There have been no such transactions in the financial year (2014: nil).

¹ Remunerated from January 2015.

| | 2015 \$ '000 | 2014 \$ '000 |
|--|-----------------|-----------------|
| Director's remuneration | | |
| Income paid or due and payable to or on behalf of directors, excluding superannuation benefits | 191 | 166 |
| Superannuation benefits paid or due and payable to or on behalf of directors | 18 | 15 |
| Total | 209 | 181 |

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

| | 2015 Number | 2014 Number |
|---------------------|----------------|----------------|
| \$0 - \$9,999 | - | 2 |
| \$10,000 - \$19,999 | 1 | - |
| \$30,000 - \$39,999 | - | 2 |
| \$40,000 - \$49,999 | 3 | 1 |
| \$50,000 - \$59,999 | - | 1 |
| \$60,000 - \$69,999 | 1 | - |
| | 5 | 6 |

26 RELATED PARTIES

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

ForestrySA is controlled by the SA Government. Transactions and balances between ForestrySA and related parties (other SA Government controlled entities) are disclosed in note 27.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

27 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 | |
|--|---------|----------------|----------------|-------------------|------------------|----------------|-----------------|
| | | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Income | | | | | | | |
| Sales - timber products | | - | - | 18,436 | 18,867 | 18,436 | 18,867 |
| Wood sales - back to back | | - | - | 42,157 | 36,694 | 42,157 | 36,694 |
| Sales - management services | | - | - | 13,089 | 16,804 | 13,089 | 16,804 |
| Comm Service Obligation funding | | 3,895 | 3,154 | - | - | 3,895 | 3,154 |
| CSO deferred income | | (285) | 28 | - | - | (285) | 28 |
| Other Revenues from SA Government | | 3,564 | 11,533 | - | - | 3,564 | 11,533 |
| GRN Funding | | 380 | 374 | - | - | 380 | 374 |
| Revenues from SA Government | 5 (i) | 7,554 | 15,089 | - | - | 7,554 | 15,089 |
| Interest | 5 (ii) | 478 | 466 | 148 | 237 | 626 | 703 |
| Other income | 5 (iii) | - | - | 538 | 665 | 538 | 665 |
| Net loss from the disposal of non-current assets | | - | - | 144 | - | 144 | - |
| Total Income | | 8,032 | 15,555 | 74,512 | 73,267 | 82,544 | 88,822 |
| Expenses | | | | | | | |
| Employee benefits | | 726 | 1,206 | 10,548 | 21,511 | 11,274 | 22,717 |
| Contractors | | - | - | 13,285 | 11,108 | 13,286 | 11,108 |
| Wood purchases - back to back | | - | - | 42,157 | 36,694 | 42,157 | 36,694 |
| Depreciation and amortisation | | - | - | 1,988 | 1,765 | 1,987 | 1,765 |
| Materials & equipment | | 147 | 185 | 2,639 | 3,817 | 2,786 | 4,002 |
| Council rates | | - | - | 291 | 1,668 | 291 | 1,668 |
| Other expenditure | | 1,027 | 1,182 | 9,736 | 9,457 | 10,763 | 10,639 |
| Net loss from the disposal of non-current assets | | - | - | - | 229 | - | 229 |
| Total Expenses | | 1,900 | 2,573 | 80,644 | 86,249 | 82,544 | 88,822 |
| Trading profit before revaluation of standing timber | | 6,132 | 12,982 | (6,132) | (12,982) | - | - |
| Net change in value of standing timber | | - | - | 13,285 | (37,297) | 13,285 | (37,297) |
| Land revaluation recorded in asset revaluation surplus | | - | - | 7,345 | (45,213) | 7,345 | (45,213) |
| Total comprehensive result | | 12,264 | 25,964 | 8,366 | (108,474) | 20,630 | (82,510) |

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 2015

27 TRANSACTIONS WITH SA GOVERNMENT CONT.

| | Note | SA Government | | Non-SA Government | | Total | |
|--|------|----------------|----------------|-------------------|----------------|----------------|----------------|
| | | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Financial Assets | | | | | | | |
| Cash and cash equivalents | 9 | 14,132 | 7,813 | 4,244 | 19,569 | 18,376 | 27,382 |
| Receivables | 10 | (182) | 96 | 7,795 | 10,518 | 7,613 | 10,614 |
| Total current financial assets | | 13,950 | 7,909 | 12,039 | 30,087 | 25,989 | 37,996 |
| Total financial assets | | 13,950 | 7,909 | 12,039 | 30,087 | 25,989 | 37,996 |
| Financial liabilities | | | | | | | |
| Payables | 17 | 295 | 339 | 6,142 | 11,826 | 6,437 | 12,165 |
| Employee benefits | 18 | - | - | 1,269 | 9,545 | 1,269 | 9,545 |
| Deferred income | 19 | 60 | 40 | 244 | 111 | 304 | 151 |
| Other provisions | 20 | 227 | 246 | - | - | 227 | 246 |
| Total current financial liabilities | | 582 | 625 | 7,655 | 21,482 | 8,237 | 22,107 |
| Non-current financial liabilities | | | | | | | |
| Payables | 17 | - | - | 296 | 252 | 296 | 252 |
| Employee benefits | 18 | - | - | 1,744 | 1,468 | 1,744 | 1,468 |
| Deferred income | 19 | 757 | 508 | 91 | 112 | 848 | 620 |
| Other provisions | 20 | 851 | 1,019 | - | - | 851 | 1,019 |
| Total non-current financial liabilities | | 1,608 | 1,527 | 2,131 | 1,832 | 3,739 | 3,359 |
| Total financial liabilities | | 2,190 | 2,152 | 9,786 | 23,314 | 11,976 | 25,466 |
| Total net financial assets | | 11,760 | 5,757 | 2,253 | 6,773 | 14,013 | 12,530 |

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

28 FINANCIAL INSTRUMENTS

(i) Credit risk exposures

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

The nature and location of ForestrySA's forestry operations cause concentration of credit risk in relation to trade receivables as 88% of the value of transactions for the financial year were transactions with the four largest of ForestrySA's customers (2014: 86%).

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

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

(ii) Foreign currency risk exposures

As at 30 June 2015 ForestrySA's exposure to foreign currencies is USD 35,000 (2014: USD 189,000).

(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:

| | Fixed interest maturing | | | | | 2015 Total \$'000 | 2014 Total \$'000 |
|--|-------------------------|--------------------------------|--------------------------|---------------------|------------------------|----------------------|----------------------|
| | Floating rate \$'000 | Non-interest bearing \$'000 | 1 year or less \$'000 | 1-5 years \$'000 | Over 5 years \$'000 | | |
| Financial assets: | | | | | | | |
| Cash and cash equivalents | 18,376 | - | - | - | - | 18,376 | 27,383 |
| Receivables ¹ | - | 7,339 | - | - | - | 7,339 | 10,419 |
| | 18,376 | 7,339 | - | - | - | 25,715 | 37,802 |
| Financial liabilities: | | | | | | | |
| Payables ² | - | 6,122 | - | - | - | 6,122 | 11,355 |
| | - | 6,122 | - | - | - | 6,122 | 11,355 |
| Net Financial assets/ (liabilities) | 18,376 | 1,217 | - | - | - | 19,593 | 26,447 |

¹ Other than prepayments

² Other than employee on-costs and statutory payables

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

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

28 FINANCIAL INSTRUMENTS CONT.

(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 |
|---------------------------|---------------------------|---|---|----------------------------------|---|-------------------------------------|
| 2015 | | | | | | |
| Cash and cash equivalents | 18,376 | 18,376 | - | - | - | - |
| Receivables ¹ | 7,339 | 5,958 | 550 | 378 | 453 | 247 |
| Other financial assets | - | - | - | - | - | - |
| Total | 25,715 | 24,334 | 550 | 378 | 453 | 247 |
| 2014 | | | | | | |
| Cash and cash equivalents | 27,383 | 27,383 | - | - | - | - |
| Receivables ¹ | 10,419 | 7,663 | 1,378 | 50 | 1,328 | 111 |
| Other financial assets | - | - | - | - | - | - |
| Total | 37,802 | 35,046 | 1,378 | 50 | 1,328 | 111 |

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

(iv) Net fair value of financial assets and liabilities

The net fair value of cash, trade receivables (excluding accrued revenue) and trade creditors approximates their carrying amount. Short-term accrued revenue: The carrying amount approximates fair value because of their short term to maturity.

(v) Hedging instruments

Hedges of specific instruments

ForestrySA has no open hedging instruments.

(vi) Liquidity risk

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

29 EVENTS AFTER REPORTING DATE

Subsequent to the balance sheet date, on 22 July 2015 changes to ForestrySA's agency arrangement were announced. OneFortyOne Plantations Pty Ltd (OFO) is set to take over plantation management from ForestrySA per the transition date, anticipated to be 1 October 2015. OFO has made employment offers to ForestrySA staff in the South East who are predominantly involved in providing plantation management services to OFO to manage the plantation.

There will be no change to OFO's conditions relating to log rotation length, domestic supply arrangements, annual reporting requirements, or replanting obligations, ensuring the long-term future of the forestry industry in the South East.

ForestrySA's operations in the Mid North and Mount Lofty Ranges will not be affected by this change. There will also be no impact on fire management. OFO will provide the same level of fire protection and management within its forest estates, and ForestrySA will continue to provide fire protection and management outside the estates.

The State Government will retain ownership of the forest land, water, and carbon rights, and ForestrySA will maintain a staff presence in the South East.

This transition will impact on ForestrySA's income for the 2015-16 and future financial years. Additionally, as part of the transition some property, plant & equipment, as well as the leave liabilities are transferred to OFO, impacting on its balance sheet and equity. At the time of reporting insufficient information is available to provide reliable estimates of the financial effects of this transition.

CERTIFICATION OF THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

SOUTH AUSTRALIAN FORESTRY CORPORATION

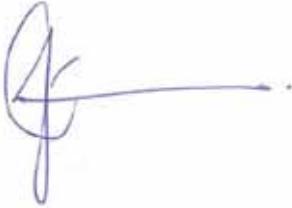
Certification of the Financial Statements

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 2015 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.

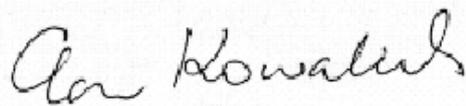
Signed in accordance with a resolution of the Board Members.



Jerome Coleman
ACTING CHIEF EXECUTIVE
SOUTH AUSTRALIAN FORESTRY CORPORATION
4 September 2015



Jeroen Zwijnenburg
ACTING CHIEF FINANCIAL OFFICER
SOUTH AUSTRALIAN FORESTRY CORPORATION
4 September 2015



Ian Kowalick
CHAIRMAN
SOUTH AUSTRALIAN FORESTRY CORPORATION
4 September 2015

INDEPENDENT AUDIT REPORT

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

For Official Use Only



Government of South Australia
Auditor-General's Department

Our ref: A15/258

19 September 2015

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www.audit.sa.gov.au

Mr I Kowalick
Chairman
South Australian Forestry Corporation
PO Box 162
MOUNT GAMBIER SA 5290

Dear Mr Kowalick

Audit of the South Australian Forestry Corporation for the year ended 30 June 2015

The audit of the accounts of the South Australian Forestry Corporation (the Corporation) for the year ended 30 June 2015 has been completed.

The scope of the audit covered the principal areas of the financial operations of the Corporation and included the test review of systems and processes and internal controls and financial transactions.

The notable areas of audit coverage included:

- revenue from the supply of timber products to domestic and overseas customers
- expenditure resulting from the harvest and transport of timber products to customers
- payroll and other forms of expenditure
- valuation of standing timber and land
- arrangements under the Plantation Management Agreement.

The audit coverage and its conduct is directed to meeting statutory audit responsibilities under the *Public Finance and Audit Act 1987* and also the requirements of Australian Auditing Standards.

In essence, two important outcomes result from the annual audit process, notably:

- The issue of the Independent Auditor's Report (IAR) on the integrity of the Corporation's financial report.
- The issue during the year or at the time of financial report preparation and audit or close thereto, of audit management letters advising of system, process and control matters and recommendation for improvement.

INDEPENDENT AUDIT REPORT

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

For Official Use Only

In this regard, returned herewith is the financial report of the South Australian Forestry Corporation together with the IAR, which is unmodified.

In addition, an audit management letter was forwarded to the Corporation, detailing findings and recommendations from the audits of the areas reviewed. Responses to the letter were considered satisfactory and will be followed up in the 2015-16 annual audit.

Finally, I would like to express my appreciation to the management and staff of the South Australian Forestry Corporation in providing assistance during the year to my officers in the conduct of the annual audit.

Yours sincerely



Andrew Richardson
Auditor-General

enc

MANDATORY REPORTING



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FORESTRYSA AND SA'S STRATEGIC PLAN

| South Australia's Strategic Plan (SASP) | Measure or actions by ForestrySA |
|---|---|
| Improve quality of life of all South Australians through maintenance of a healthy work-life balance (Target 13 Work-life balance) | ForestrySA allows staff to accrue and use flexitime, providing flexible working hours and the potential for an improved work-life balance |
| Maintain a high level of formal and informal volunteering in South Australia at 70% participation rate or higher. (Target 24 Volunteering) | ForestrySA recorded approximately 19,869 hours of volunteer and community engagement during 2014-15 |
| Increase the number of women on all State Government boards and committees to 50% on average by 2014, and maintain thereafter by ensuring that 50% of women are appointed, on average, each quarter. (Target 30 Boards and committees) | Three of the five ForestrySA Board members are women |
| Increase the number of women chairing State Government boards and committees to 50% by 2014. (Target 31 Chairs of boards and committees) | ForestrySA's Audit and Risk Board sub committee is chaired by a woman |
| Increase by 10% the number of people with a disability employed in South Australia by 2020. (Target 50: People with disability) | A total of 1% of ForestrySA's workforce is made up of people with a disability. |
| Have women comprising half of the public sector employees in the executive levels (including Chief Executives) by 2014 and maintain thereafter (Target 52: Women) | One woman is employed at ForestrySA Executive level |
| Increase the participation of Aboriginal people in the South Australian public sector, spread across all classifications and agencies, to 2% by 2014 and maintain or better those levels through to 2020. (Target 53: Aboriginal employees) | A total of 1% of ForestrySA's workforce is made up of people of Aboriginal / Torres Strait Islander heritage. |
| Achieve the Kyoto target by limiting the State's greenhouse gas emissions to 108% of 1990 levels during 2008-2012, as a first step towards reducing emissions by 60% (to 40% of 1990 levels) by 2050. (Target 59 Greenhouse gas emissions reduction) | Carbon sequestered by 2013-14 in ForestrySA's Kyoto-compliant plantations was 14,448 tonnes. Sequestered carbon in ForestrySA plantations has increased significantly over the last 10 years. |
| Improve the energy efficiency of government buildings by 30% by 2020. Milestone of 25% by 2014. (Target 61 Energy efficiency - government buildings) | ForestrySA's Mount Gambier Corporate Office building is rated "5 Star Green Star - Office Design" by the Green Building Council of Australia. |
| Develop regional climate change adaptation plans in all State Government regions by 2016. (T62 Climate change adaptation) | ForestrySA is on the steering committee of a FWPA funded three-year CSIRO project that aims to develop industry capacity to examine risks and impacts of climatic variability, through predictions of changing risk and impact over the next 20 to 50 years, development of tools for site or regional assessment and examination of adaptive strategies to manage risk and impact. |
| Lose no native species as a result of human impacts. (T69 Lose no species) | None were lost in ForestrySA native forest areas during 2014-15 |
| Increase participation in nature conservation activities by 25% by 2015. (T72 Nature conservation) | ForestrySA recorded 19,869 community engagement hours during 2014-15, with volunteers participating in a range of activities across all forest districts |

HUMAN RESOURCES

WORKPLACE DIVERSITY - AGE AND GENDER PROFILE

| Age bracket | Male | Female | Total | % of total | 2014 Workforce Benchmark (%)* |
|--------------|-----------|-----------|-----------|------------|-------------------------------|
| 15-19 | - | - | - | - | 5.5 |
| 20-24 | - | - | - | - | 9.7 |
| 25-29 | 2 | 3 | 5 | 5 | 11.2 |
| 30-34 | 5 | 7 | 12 | 12 | 10.7 |
| 35-39 | 8 | 7 | 15 | 15 | 9.6 |
| 40-44 | 17 | 2 | 19 | 19 | 11.4 |
| 45-49 | 8 | 4 | 12 | 12 | 11.1 |
| 50-54 | 14 | 3 | 17 | 17 | 11.4 |
| 55-59 | 8 | 1 | 9 | 9 | 9.1 |
| 60-64 | 6 | 2 | 8 | 8 | 6.7 |
| 65+ | 1 | 0 | 1 | 1 | 3.6 |
| TOTAL | 69 | 29 | 98 | 100 | 100 |

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

WORKPLACE ADAPTATION - DISABILITY

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

HUMAN RESOURCES CONTINUED

EXECUTIVES - BY GENDER, CLASSIFICATION AND STATUS

| Class | Ongoing | | Term tenured | | Term untenured | | Other (casual) | | Total | | | | |
|--------|---------|--------|--------------|--------|----------------|--------|----------------|--------|-------|----|--------|----|-------|
| | Male | Female | Male | Female | Male | Female | Male | Female | Male | % | Female | % | Total |
| Exec A | - | - | 1 | - | - | 1 | - | - | 1 | 14 | 1 | 14 | 2 |
| Exec B | - | - | - | - | 4 | - | - | - | 4 | 58 | - | - | 4 |
| Exec C | - | - | - | - | 1 | - | - | - | 1 | 14 | - | - | 1 |
| Total | - | - | 1 | - | 5 | 1 | - | - | 6 | 86 | 1 | 14 | 7 |

LEAVE MANAGEMENT

| Leave type: Average days' leave per Full Time Equivalent employee | 2014-15 | 2013-14 |
|---|---------|---------|
| Sick leave | 4.26 | 6.7 |
| Family carer's leave | 1.1 | 1.5 |
| Miscellaneous special leave | 3.4 | 2.2 |

PERFORMANCE DEVELOPMENT - EMPLOYEE REVIEW

| Documented review of individual performance. Employees who have undergone a review: | Employees |
|--|-----------|
| Within the past 12 months | 97 |
| More than 12 months ago | 1 |

LEADERSHIP AND MANAGEMENT DEVELOPMENT - TRAINING EXPENDITURE

| Training and development | Total cost \$ | % of total salary expenditure |
|---|---------------|-------------------------------|
| Total leadership and management development expenditure | 248,528 | 3 |

HUMAN RESOURCES CONTINUED

WORK HEALTH SAFETY AND INJURY MANAGEMENT

| Work Health and Safety Prosecutions, Notices and Corrective Action taken | | | Number |
|---|----------------|----------------|----------------------|
| Notifiable incidents pursuant to WHS Act Part 3 | | | 0 |
| Notices served pursuant to WHS Act Section 90, Section 191 and Section 195 (Provisional improvement, improvement and prohibition notices) | | | 0 |
| Prosecutions pursuant to WHS Act Part 2 Division 5 | | | 0 |
| Enforceable undertakings pursuant to WHS Act Part 11 | | | 0 |
| Gross expenditure | 2014-15 (\$) | 2013-14 (\$) | Variation (\$) + (-) |
| Income maintenance | 146,923 | 49,900 | + 96,933 |
| Redemptions - sec 42 | 65,500 | 192,812 | - 127,312 |
| Lump sum settlements, permanent disability - sec 43 | 271,075 | 23,803 | + 247,272 |
| Medical / hospital costs combined | 32,798 | 121,522 | - 88,724 |
| Other costs associated with injury management | 69,881 | 58,447 | + 11,434 |
| Total claim expenditure | 586,177 | 446,574 | + 139,603 |

WORK HEALTH AND SAFETY

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

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

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

INJURY MANAGEMENT

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

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

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

HUMAN RESOURCES CONTINUED

DISABILITY ACCESS AND INCLUSION

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

- The ForestrySA Fair Treatment Program continues to promote Equity and Diversity within the workplace and to raise the level of awareness and reinforce the strong commitment to a workplace culture which fosters an environment free from all forms of bullying, harassment and discriminatory behaviours.
- Employees returning to work from injury are provided with the support and necessary resources to undertake the requirements of their positions.
- All Injury Management claims and associated activities are managed in accordance with relevant equity and diversity principles, which are incorporated into all policies and practices relating to these activities. All return to work plans, alternate duties and rehabilitation plans are supported by the respective standards.
- ForestrySA ensures business activities and supporting procedures do not discriminate against people with disabilities.

EMPLOYMENT OPPORTUNITY PROGRAMS

ForestrySA ensures its recruitment and selection processes do not discriminate against any applicant. ForestrySA remains an active participant in the Forest Industry Training Network in Mount Gambier and Forestworks at a national level. These networks include industry and training providers and continue to promote and encourage Vocational Education opportunities within the Timber industry.

No employees participated in a traineeship or apprenticeship during 2014-15. 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.

FREEDOM OF INFORMATION

STATEMENT

This statement is published in accordance with subsection 9 (2) of the Freedom of Information Act 1991 (FOI Act). Subject to certain restrictions, the FOI Act gives members of the public a legally enforceable right to access information held by the South Australian Government. A comprehensive introduction to freedom of information can be found on the State Records website at www.archives.sa.gov.au/content/foi-in-sa.

AGENCY STRUCTURE AND FUNCTIONS

The structure and functions of the South Australian Forestry Corporation are set out within the Annual Report and on the ForestrySA website.

INFORMATION SUMMARY

Documents held by ForestrySA fall broadly into the categories described below. While most are available in hard copy, it should be noted that some are only available electronically. The listing of these categories does not necessarily mean all documents are accessible in full or in part under the Act. Types of documents held by ForestrySA:

- ◆ Administrative files (indexed on electronic database)
- ◆ Tender and contract documentation
- ◆ Operational records
- ◆ Policy documents and procedure manuals
- ◆ Research reports and publications
- ◆ Brochures, publications, photographs, information sheets and posters

DOCUMENTS AVAILABLE FREE OF CHARGE

These can be obtained from www.forestrysa.com.au, or by calling 08 8724 2888.

- ◆ Brochures
- ◆ Fact sheets
- ◆ Selected maps
- ◆ Information packs
- ◆ Policy documents
- ◆ Media releases
- ◆ Annual reports

ACCESSING DOCUMENTS

Access to documents or requests for information under the Freedom of Information Act 1991 is via the Freedom of Information Officer. Access restrictions to certain documents may apply under the Freedom of Information Act 1991. In accordance with the Act, applications for access to documents held by an agency must:

- ◆ Be made in writing (either by letter or application form which can be found at: www.archives.sa.gov.au/content/foi-forms)
- ◆ Specify that the application is made under the Freedom of Information Act 1991
- ◆ Be accompanied by the prescribed application fee of \$33 (exemptions apply)
- ◆ Specify an address in Australia to which information can be sent
- ◆ Clearly identify the documents being sought or the matter to which they pertain
- ◆ Specify whether the documents contain information of a personal nature
- ◆ Specify the desired type of access to the document, such as inspection of the document at an arranged location or having a copy made.

Additional charges may be levied to process your request. If you are able to prove that you are financially disadvantaged, all fees will be waived. This charge is determined by the Freedom of Information (Fees and Charges) Regulations 2003 and is subject to change. Please consult these regulations before submitting requests.

CONTACT OFFICER

Freedom of Information enquiries should be addressed to: Freedom of Information Officer
ForestrySA
PO Box 162
MOUNT GAMBIER SA 5290

FURTHER REPORTING ITEMS

REGIONAL IMPACT ASSESSMENT STATEMENTS

No Regional Impact Assessment Statements were required to be prepared by ForestrySA during 2014-15.

OVERSEAS TRAVEL

For information regarding overseas travel, please contact ForestrySA.

CONTRACTUAL ARRANGEMENTS

For information regarding procurement contracts please contact ForestrySA.

Further information is also available from the SA Tenders and Contracts website www.tenders.sa.gov.au.

WHISTLEBLOWERS' PROTECTION ACT

On no occasion during 2014-15 were matters of public interest disclosed to the ForestrySA Responsible Officer appointed under the Whistleblowers' Protection Act 1993.

USE OF CONSULTANTS

| Value | Consultant | Purpose | Number | Total (\$) |
|---------------------|----------------|----------------------------------|--------|------------|
| Below \$10,000 | | - | - | - |
| \$10,000 - \$50,000 | Davis Advisory | Development of compliance manual | 1 | 47,739 |

FRAUD

One instance of fraud was identified during 2014-15. This has been investigated by the Independent Commissioner Against Corruption and is currently before the courts. It is not appropriate for ForestrySA to provide any further information.

ForestrySA has a strong governance framework that is overseen by the Board's Audit and Risk Committee. The Committee has approved a range of policies and procedures to mitigate the risk of fraud. These have considered the broader requirements of the South Australian Government and the recommendations of the Independent Commissioner Against Corruption.

PUBLIC COMPLAINTS

ForestrySA received a total of 23 complaints during 2014-15, representing a 30% decrease compared with 2013-14. During the reporting period, a formal Stakeholder Engagement Plan outlining ForestrySA's responsibilities including the complaint management process was implemented.

Staff training, increased levels of stakeholder consultation and engagement, a greater online presence, community information sessions and an upgrade to the online accommodation booking system in the Mount Lofty Ranges, may have contributed to the reduction in overall complaints.

All complaints received were addressed appropriately and recorded in the Forest Management System database. Relevant processes, procedures and documentation were reviewed and updated as required. All complaints are reviewed by management on both a monthly and annual basis.

| Category of complaints | 2014-15 (\$) |
|---|--------------|
| Harvesting - dust, noise, other impact | 3 |
| Operations - fire and land management | 5 |
| Recreational facilities and information | 10 |
| Recreational forest use | 2 |
| Staff behaviour | 2 |
| Other | 1 |
| Total claim expenditure | 23 |

GLOSSARY

| | | | |
|------------------------------------|--|-------------------------------------|--|
| Australian Forestry Standard (AFS) | The internationally recognised forestry standard (AS 4708) to which ForestrySA is certified in the Green Triangle and Mount Lofty Ranges | LIDAR | Light Detection and Ranging. A remote sensing technology adapted by ForestrySA to assess the productivity of forest plantations |
| Biodiversity | Includes genetic diversity, reflecting the diversity within each species (species diversity and the variety of species) and ecosystem diversity (the diversity of different communities formed by living organisms and the relationships between them) | 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 |
| Carbon sequestration | The process by which trees and other plants take up carbon dioxide from the atmosphere and store it as organic carbon in leaves, branches, stems and roots. Plants sequester carbon dioxide as part of the growing process | Native forest | Forest consisting of native tree and other species that are endemic to South Australia |
| CFS | Country Fire Service | 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 |
| CSIRO | Commonwealth Scientific and Industrial Research Organisation | OFO | OneFortyOne Plantations Pty Ltd |
| Conservation | The management of the natural environment to ensure its survival. A term covering preservation, maintenance, restoration and enhancement of the environment | PIRSA | Department of Primary Industries and Resources South Australia |
| CSO | Community Service Obligation | 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 |
| DEWNR | Department of Environment, Water and Natural Resources | Pulpwood | Logs below sawlog quality but suitable for manufacturing pulp, paper and panel products |
| DTF | Department of Treasury and Finance | Recovery log | Short length, small diameter sawlog |
| 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 |
| 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 | SASP | South Australia's Strategic Plan |
| FWPA | Forest and Wood Products Australia | SA Water | South Australian Water Corporation |
| GIS | Geographic Information System | Sawlog | A log for processing into sawn timber |
| ha | Hectare/s | Silviculture | The cultivation of forest including both native forest and plantations |
| Hardwood | Timber from broad-leaved flowering trees irrespective of physical hardness. Includes eucalypts, wattles and most rainforest species | Softwood | Timber of coniferous or cone-bearing trees irrespective of physical hardness. Includes radiata pine |
| HSE | Health, Safety and Environment Committee | Standing plantation | The area of standing plantation, less areas that have been clear felled |
| ICT | Information and Communications Technology | Thinning | Removing some trees in a forest to reduce competition and thus improve or maintain the growth and health of the remaining trees |
| IM | Injury Management | Timber | The general term used to describe sawn wood suitable for building and other purposes |
| IMT | Incident Management Team | TVSP | Targeted Voluntary Separation Package |
| | | Watercourse and wetland buffer zone | An area of land designed to protect a wetland or watercourse |
| | | WHS | Work Health and Safety |