

# ForestrySA

ANNUAL REPORT 2016-17



# ABOUT FORESTRYSA



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

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

Trading as ForestrySA, the business is subject to the provisions of the *South Australian Public Corporations Act 1993*.

ForestrySA's role is the management of 11,693ha of commercial radiata pine plantation across the Mount Lofty Ranges and Mid North forest districts.

Additionally, ForestrySA is responsible for 23,000ha of South Australian Native Forest Reserve located within the Mount Lofty Ranges, Mid North and Green Triangle. These are managed for both conservation and recreation.

As a commercial forest manager, ForestrySA's focus is the production of log which our customers convert into a range of structural and non-structural timber products. These products are sold locally and also exported.

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

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

The Mount Lofty Ranges and Green Triangle forests are certified to this standard. The Mid North estate is not, but continues to be managed in accordance with ForestrySA's Forest Management System.

The ForestrySA Charter sets out the South Australian Government's priorities and requirements for the business. A copy of the charter can be found at [forestrysa.com.au](http://forestrysa.com.au).

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

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# BOARD, GOVERNANCE AND EXECUTIVE



# FROM THE CHAIRMAN

After consecutive years of structural change within the organisation, ForestrySA spent much of 2016-17 settling into a more “normal” business routine.

Another year of solid results from commercial operations in the Mount Lofty Ranges has improved and solidified ForestrySA’s status as a plantation manager. Pleasingly, significant improvements have also been made in the areas of safety policy and fire protection systems and equipment.

For the first time in four years, there were no significant losses resulting from wildfire events in the plantation estates.

The continued focus and dedication of the management and staff to preparation and risk management around fire remains a crucial role of ForestrySA to protect the forest and the community.

The ongoing challenge for ForestrySA as a right-sized operation, is using contractors and other alliances to ensure fire resources are available and efficient.

Management of the plantation land is linked to hundreds of local jobs and millions of dollars in industry revenues annually; this activity drives an exciting and promising wood fibre industry.

In a modern era where renewable raw materials are highly sought after, the fascination with addressing our energy concerns has sharpened the focus on opportunities to supply resources – particularly renewables – amidst burgeoning market demand for raw materials.

With sustainable commercial options now on the horizon, the organisation’s pathway towards achieving positive overall returns to government is clearly set.

It is critical that the public forest assets continue to be utilised both for their commercial value and the recreation and enjoyment of our many thousands of visitors.

These two key activities of the ForestrySA organisation are inextricably connected; the agency accepts the premise that our “social licence to operate” stems from our status as a good neighbour and corporate citizen.

It is very pleasing to see a significant increase in visitor numbers which can be directly linked to our community engagement programs.

The commitment to leading by example and maintaining the high benchmarks of Australian Forestry Standards (AFS) certification, has again been a key achievement of the organisation, even under its new smaller footprint.

Maintaining the high historical standards of ForestrySA while striving for even better shareholder results each year, is a testament to the dedication and resilience within the organisation.

I commend and thank staff, management and Board members of ForestrySA for their ongoing roles in this achievement.



A handwritten signature of Ian Kowalick in black ink, written in a cursive style.

**Ian Kowalick**  
**FORESTRYSA BOARD CHAIRMAN**



# FROM THE CHIEF EXECUTIVE

After many years of change, ForestrySA has finally moved into a settled period.

The team has been focused predominantly on optimising the Mount Lofty Ranges to provide the best possible return to Government.

The key focus in ForestrySA's commercial operations has been improving the harvest and transport task. Contractor HarvestCo Hills Pty Ltd has been working with ForestrySA to implement new technology in road transport to advance road safety. We are also leveraging the skills of our contractor base to assist with fire protection. These results are shared with all forest workers and the wider community.

Although commercial operations are firmly focused on the Mount Lofty Ranges, a number of other significant items have transpired over this last year.

The Mid North forests, devastated by fire in 2013 and 2014, have moved toward new alternative uses that still allow commercial forestry to continue. The PIRSA-led Mid North Forests Future Strategy Steering Committee has evaluated a range of proposals to provide alternative land uses, as longer term commercial forestry in the region is no longer viable.

ForestrySA has also worked extensively with DEWNR to transition the management of Native Forest Reserves to that agency, while a number of upgrades have occurred to ensure community use of the beautiful and historic Wirrabara forest continues.

ForestrySA is pleased to play a part in the new forest industry research hub which will soon be based in Mount Gambier.

After working with the State and Federal Governments to realise this significant investment in the South Australian forestry sector, ForestrySA will transition existing capacity and intellectual property in plantation forestry to UniSA as the new focal point of the hub. This will help create even greater returns for the South Australian economy through innovation in forestry.

ForestrySA's other role is the land manager for the Native Forest Reserves, which are interlaced with the commercial pine plantations both in the Mount Lofty Ranges and Green Triangle. These areas are managed in line with strong conservation values and just as importantly, community use of the vast forest estate.

To this end, it was pleasing to oversee a number of

recreational facility upgrades in the Mount Lofty Ranges, including improvements to camp site facilities, forest hut accommodation and the ever popular Cudlee Creek mountain bike trails.

Visitor numbers were much higher during 2016-17, with a ~ 50% increase year on year after more than 240,000 forest visits were recorded.

This increased visitation was boosted by ForestrySA's strong community engagement and events program, which included the success of the new Green Triangle forest attraction, Ghost Mushroom Lane.

Ongoing partnerships with key recreational organisations such as Bicycle SA and HorseSA also continue to attract large volumes of visitors to our forest reserves.

ForestrySA has also made substantial investment in fire fighting capabilities, with four state-of-the-art Mercedes Benz G-Wagen Quick Response Vehicles to be added to the fire fleet in readiness for the 2017-18 fire season.

This investment will be welcomed by local communities, as ForestrySA's commitment to fire protection and preparedness continues.

This is all possible due the dynamic and dedicated team which I am fortunate to lead - I thank you all for your efforts. I would also like to thank ForestrySA Board members for their support during a very exciting year, as we continue to consolidate and look to the future.



A handwritten signature in blue ink, consisting of a stylized 'J' followed by a horizontal line.

**Jerome Coleman**  
**FORESTRYSA CHIEF EXECUTIVE**

# FORESTRYSA BOARD AT 30 JUNE 2017

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

Chair Ian Kowalick and Board member June Roache have both been appointed to serve until 31 December 2017, while Scott Ashby will serve until 30 September 2017.



## **IAN KOWALICK**

*BSc (Hons), BEc*

### **Board 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 Medvet Sciences Pty Ltd.



## **JUNE ROACHE**

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

### **Board member**

June is an independent director with extensive business experience, having held several senior executive positions and a number of corporate governance roles. She currently holds non-executive director positions with the SA Health and Medical Research Institute, Essential Services Commission of SA, SA Football Commission and History Trust of SA. June is the chair of ForestrySA's Audit and Risk Committee.



## **SCOTT ASHBY**

*BA (Hons), GradDipSocSc, GradDipBusAdmin*

### **Board member**

Scott is the Chief Executive of The Department of Primary Industries & Regions SA. His central agency experience includes Deputy Chief Executive in the Department of Premier and Cabinet in SA and various executive positions in the Victorian Department of Primary Industries and in the Victorian Department of Natural Resources and Environment. Scott is a member of the Senior Management Council, the SA Government ICT and Digital Governance Board, State Emergency Management Committee and Chiefs for Gender Equity.

# 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 ForestrySA Strategic Plan and monitors performance against the plan as well as overseeing the establishment of internal controls and risk management strategies.

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

The Board is committed to the principles of sound corporate governance.

The Board delegates responsibility to the Chief Executive for implementation of the Strategic Plan, day-to-day business management and ensuring all staff continue to work with high ethical standards.

## BUSINESS SUSTAINABILITY

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

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

## BOARD MEETING ATTENDANCE

Board members July 2016 – June 2017	Meetings attended	Eligible for attendance
Ian Kowalick Chairman	7	8
June Roache Member	8	8
Stuart West Member 1 July - 30 September 2016	3	3
Scott Ashby Member 3 November 2016 - 30 June 2017	5	5

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 has been established to assist the ForestrySA Board.

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

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

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

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

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

## AUDIT AND RISK COMMITTEE MEETING ATTENDANCE

Audit and Risk Committee members July 2016 – June 2017	Meetings attended	Eligible for attendance
June Roache Chair	8	8
Ian Kowalick Member	7	8
Stuart West Member 30 June - 30 September 2016	3	3
Scott Ashby Member 3 November 2016 - 30 June 2017	5	5

# EXECUTIVE TEAM AT 30 JUNE 2017



**JEROME COLEMAN**

*CPA, BComm, MBA*

**Chief Executive**

Leadership  
Strategic planning and vision  
Performance delivery  
Risk management  
Governance  
Resourcing and staff culture



**JULIAN SPEED**

*B.App.Sci, MBA, GAICD*

**General Manager Business Operations**

Finance  
Forest and silviculture management  
Community and recreation  
Commercial sales and business development  
Business assurance and contracts



**JIM O'HEHIR**

*BSc Forestry, MFSc, PhD*

**General Manager Planning and Development**

Research  
Forestry technical and management systems  
Fire policy and management

# PLANTATION MANAGEMENT

ForestrySA's primary commercial role is the management of 11,693ha of radiata pine plantation in the Mount Lofty Ranges.

Extremely wet conditions prevailed throughout the previous year and led into a comparatively mild summer.

Severe, damaging winds experienced in spring, coupled with fully saturated soils led to some tree damage in exposed plantations.

Commercial harvesting operations were concentrated in younger plantations that required thinning and in plantations with very large trees where some logs have already passed their optimum size.

Clearing of commercially unsalvagable plantations damaged by the 2015 Sampson Flat bushfire was delayed until conditions became dry enough. This was followed by site preparation of harvested and cleared areas, with the aim of replanting the bare land areas as soon as practical.

Some small, isolated areas deemed commercially unviable were not replanted and were retained for conservation purposes.

A total of 610ha of radiata pine plantation was planted by ForestrySA in 2016-17, which included refilling under-stocked plantations from the previous year's planting operation.

Replanting of the Mid North plantations was discontinued, following the State Government's determination of a new future for the forest estate.

ForestrySA's integrated approach to noxious weed control has continued within both plantation and native forest areas. The main targets are cape broom, gorse, boneseed, blackberry and pine wildings growing among native forest.

Control techniques include herbicide sprays, biological control and manual removal.

An integrated plantation management and record keeping system ensures planning and execution of forest operations is carried out in a timely and efficient fashion, and in accordance with the Australian Forestry Standard (AS 4708).

These standards include protecting Indigenous, heritage, biological and environmental values during harvesting, re-establishment and maintenance operations.

## FOREST STATISTICS

	At 30 June 2017 (ha)	At 30 June 2016 (ha)
Standing plantation area		
Radiata pine	10,609	10,231
Other	1,084	1,119
<b>TOTAL</b>	<b>11,693</b>	<b>11,350</b>
Natural features area		
Proclaimed Native Forest Reserves	16,077	16,077
Natural features	7,040	6,963
<b>TOTAL</b>	<b>23,117</b>	<b>23,040</b>
Owned land area		
Plantation	15,721	15,803
Natural features	22,913	22,823
Non-forest	4,951	4,949
<b>TOTAL</b>	<b>43,585</b>	<b>43,575</b>



# PLANNING AND PRODUCTION

## PLANTATION RESOURCE PLANNING

Management of the ForestrySA plantation resource is directly dependent on spatial and estate planning systems.

To ensure ForestrySA can accurately estimate future log supply and value its forest, new spatial and resource planning systems are being investigated.

These systems will replace the robust but outdated technology currently in use and help fill the void left by a significantly reduced workforce and loss of experienced practitioners.

As a segue to alternative resource management systems, the Permanent Sample Plot (PSP) database has provided the information required for development of biometric models to enhance the next generation of planning tools. Measurement of PSPs is continuing to ensure the availability of relevant biometrics and to monitor plantation sustainability.

A forest inventory program was carried out in the Mount Lofty Ranges during 2016, in a move to transition ForestrySA to a product-based, industry standard method of woodflow calculation.

The data collected has been processed through ForestrySA's existing systems to provide an updated woodflow model for business decision-making and forest valuation.

A combination of change and development will dictate the next few years of resource management, with a focus on product and customer requirements as the new systems are deployed.

## TOTAL LOG PRODUCT

Product	Mount Lofty Ranges		Mid North	
	2016-17 (m3)	2015-16 (m3)	2016-17 (m3)	2015-16 (m3)
Sawlog	77,991	77,360	9,175	13,013
Industrial	36,106	47,212	7,754	9,273
<b>Total log</b>	<b>114,097</b>	<b>124,572</b>	<b>16,929</b>	<b>22,286</b>
Pulpwood	23,505	41,231	-	-
Preservation	6,880	6,109	2,039	3,314
<b>Total pulp</b>	<b>30,385</b>	<b>47,340</b>	<b>2,039</b>	<b>3,314</b>
<b>TOTAL</b>	<b>144,482</b>	<b>171,912</b>	<b>18,968</b>	<b>25,600</b>

# MARKET AND SALES

## OUTLOOK

ForestrySA's commercial responsibilities and obligations are centred around the domestic sawmill and wood products industry.

Despite a limited number of market players and a finite area of plantation timber, a significant ongoing relationship exists between ForestrySA and its customer base.

ForestrySA has both given and received strong support from the small-to-medium enterprises with which it engages in business transactions. In turn, these businesses and their employees are finding some firm footing after three consecutive years from 2012 to 2015, in which serious wildfires have significantly affected the ForestrySA plantation estates.

Local mills are enjoying a strong working relationship with ForestrySA, which has seen unprecedented cooperation in reaching common goals to enhance the strength of the local industry.

While the future of ForestrySA's plantation activities in the state's Mid North is likely to be limited, the organisation has continued to operate the local estate on a commercial basis.

With less area in the Mid North now under active management, local log sales declined around 26% from the previous year.

The Mount Lofty Ranges plantation area is now nearing a "steady" state following several years disrupted in various ways by fire activity.

The domestic supply situation is nearing long-term budgeted figures, with premium sawlog sales from the estate increasing very slightly year-on-year to 78,000 tonnes.

The preservation log market (for poles, posts, fence strainers etc) is a potentially higher value proposal which is being pursued by ForestrySA. It is yet to be fully exploited with ongoing end-customer demand which matches supply constraints.

Log export volumes (international sales via deliveries to Inner Harbour, Port Adelaide) were considerably less in comparison to recent years at around 40,000 tonnes.

With less fire-affected product being marketed, a higher proportion of all sales were to domestic mills and some additional small domestic agreements were reached in lieu of international sales.

As the successful log export campaign, which was established in 2013, draws closer to finalisation, several alternatives for low-value wood products are being explored.

The possibilities of marketing wood fibre to higher value-adding entities are the most enticing, with a view to enhancing not only profitability to the organisation but also productivity and job creation.

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

While significant work is still required to assess all options available to ForestrySA, one thing is clear: a sustainable and renewable natural resource such as wood fibre is likely to be in high demand for the foreseeable future.

# RESEARCH AND FOREST HEALTH

ForestrySA has a demonstrated history of providing relevant and efficient forest research to drive plantation and timber industry development.

This research capacity is provided by the SA Government, via Community Service Obligation funding.

The announcement of \$4m in Federal and SA Government funding will see the establishment of a dedicated research facility in Mount Gambier.

The new “hub” will provide a strategic direction and further advance forest research and development focused on the Green Triangle, for the benefit of the Australian forest industry.

## FOREST RESEARCH 2016-17

ForestrySA’s industry development program focuses on projects to improve plantation productivity and sustainable management and includes establishment and assessment of field experiments and forestry demonstration and gene conservation areas.

Priority areas for research have been identified using information published by organisations such as Forest and Wood Products Australia (FWPA) and through consultation with industry.

Specific projects undertaken during 2016-17 include:

- Identification and prioritisation of initial research for the new Mount Gambier Forest Research Hub.
- Consolidation of Green Triangle Industry permanent growth plot data, in cooperation with industry.

- Working with FWPA to better understand the impacts of forestry on water resources.
- Forest health surveillance including sirex woodwasp control and industry representation on an industry reference group overseeing management of the Adelaide Giant Pine Scale eradication program.
- Proposals to test the use of biochar, undertaken in conjunction with University of South Australia forest product companies.
- Continuing provision and web-conversion of the ForestrySA herbicide prescription, chemical information and weed identification system, WeedChem.
- Replanting of Gumeracha trials and demonstration areas destroyed in the 2015 Sampson Flat bushfire.
- *Eucalyptus leucoxylon* seed source trial.

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



# FIRE

## FOREST FIRE PROTECTION

ForestrySA fire crews experienced a relatively quiet 2016-17 fire danger season compared with previous years.

This was mainly due to South Australia experiencing a wetter than average winter, resulting in the Soil Dryness Index being below the 10-year average across the state.

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

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

Forest region	Fires attended
Green Triangle	4
Mount Lofty Ranges	2
Mid North	6
TOTAL	12

At the beginning of the fire danger season, ForestrySA’s Chief Executive released a Statement of Intent, outlining the organisation’s fire management policies.

The statement applies to all ForestrySA employees and ForestrySA contractors when undertaking fire prevention, preparedness and response planning activities. All ForestrySA fire operations will align with the following community priorities established by the CFS:

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

Bushfires are able to traverse the landscape without regard to land tenure. Effective fire prevention and suppression activities must involve collaboration with other land managers and relevant agencies.

A collaborative arrangement between ForestrySA and OneFortyOne Plantations in the Green Triangle contributed towards community fire protection activities and management of fire on ForestrySA managed native forest reserves.

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

# FIRE CONTINUED

## COMMUNITY FIRE PROTECTION

ForestrySA maintained a fire management capability to meet its responsibilities under legislation and continued to have fire management reflect best practice. This was achieved through reflection and debriefing, identifying lessons and implementing changes where required.

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

This includes maintaining a capability to undertake prescribed burning to meet forest management, risk reduction, biodiversity and cultural objectives.

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

Two prescribed burns totalling 52ha were completed in the Mount Lofty Ranges during spring, followed by two more across 155ha in the Green Triangle in autumn.

Residue burning associated with commercial plantation reestablishment continued and reduced fuel levels, predominantly in the Kersbrook area.

The large native forest area burnt by the Sampson Flat fire in 2015 has significantly reduced treatable prescribed burn areas on ForestrySA's northern Mount Lofty Ranges region.

ForestrySA acknowledges the positive contribution that stakeholder perspectives and expertise make to forest management.

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

A number of ForestrySA's Mount Lofty Ranges forest reserves are near vineyards. Smoke from fire can impact the taste and quality of grapes to be used in the production of wine.

Due to the late start to the Mount Lofty Ranges wine grape growing season in 2017, no prescribed burning was undertaken in this area during autumn.

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

# COMMUNITY FORESTRY

Performance measures	2016-17	2015-16
Forest visitors (recorded)	243,447	119,727
Permits issued	Total permits issued: 6,504 Total people covered by permits: 24,024	17,052
Forest events	254	163
Ranger FTE delivered	6	7
Field days, tours and presentations to the public providing information and interpretation of natural history and forest management	10	8
Groups actively engaged	31	31
Community engagement hours recorded (approx.)	9,500	13,838
Forest education programs supported	5	5
Area of watercourse and wetland buffer zones	116.3ha	116.3ha

## COMMUNITY USE OF FOREST RESERVES

Forest visitation doubled during 2016-17, with more than 240,000 people visiting ForestrySA forest reserves located across the Mount Lofty Ranges, Green Triangle and Mid North.

ForestrySA continues to promote passive recreational activities such as hiking, horse riding and camping and coordinates large-scale planned events such as the Nature Play children's event and motorsport rallies.

Ghost Mushroom Lane was opened to the public for the first time in the Green Triangle attracting 18,500 visitors, while mountain biking activities continue to increase in popularity with Cudlee Creek offering world-class trails through ex-plantation areas.

ForestrySA continues to work with the South Australian Government, other organisations and volunteer groups to promote recreational use and competitive events, and develop Adelaide and the Mount Lofty Ranges as an international mountain bike riding destination.

Strong volunteer support from the Friends of the Forests volunteers and the Human Projectiles has assisted ForestrySA with further trail development and signage to improve the mountain bike experience.

A new online accommodation booking site has been established and updated visitor information, signage and brochures continue to be reviewed and provided to the public.

Facility upgrades at Woodcutter's Cottage located in the Kuitpo Forest have been well received by visitors.

For more detailed information about the many community activities and events held on ForestrySA land during the 2016-17 financial year, view the PIRSA Memorandum of Administrative Arrangement for the provision of Community Service Obligations by ForestrySA available at [forestrysa.com.au/publications](http://forestrysa.com.au/publications).



# SUPPORTING OUR COMMUNITIES

## PROUDLY SUPPORTING COMMUNITY ENDEAVOURS

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

Recipient	Event / cause
Adelaide International 3 Day Event - Major sponsor	Supply of timber for course construction
Timber Communities Australia	Contribution to national forest industry body
Pines Enduro 2016	Forest access permit fees waived and in-kind support provided for off-road racing event held in the Mount Burr Forest
Wirrabara Publican's Golf Day 2016	Donation to the annual community event which raises money for the Royal Flying Doctor Service
Gottstein Trust	Patron
Lions Club of Jamestown	Donation of 100 tonnes of hardwood to assist in fundraising for community projects
Community appeal	Contribution to the families of four forest industry workers killed in a road accident in the Green Triangle
BikeSA Dirty Weekend 2017	Sponsorship of major mountain bike event held at ForestrySA's Cudlee Creek mountain biking facility
West Gambier Football Club, Mount Gambier	Donation of timber products to enable refurbishment works to be carried out for an AFL Country match
Port MacDonnell Offshore Angling Club	Sponsorship of annual Tuna Sportsfishing Competition, which draws thousands of people to the Green Triangle annually
Science and Engineering Challenge, Mount Gambier	Donation to support the running of the annual challenge, delivered to high schools by the University of Newcastle

# FINANCIAL REPORT



**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SOUTH AUSTRALIAN FORESTRY CORPORATION**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	Note	Year ended 30 June 2017 \$'000	Year ended 30 June 2016 \$'000
<b>Income</b>			
Sales - timber products		14,180	18,742
Wood sales - back to back		-	30,447
Sales - management services		121	3,276
Revenues from SA Government	4(i)	10,138	6,549
Interest	4(ii)	233	563
Other income	4(iii)	1,161	1,588
Net gain from the disposal of non-current assets	4(iv)	-	282
<b>Total income</b>		<b>25,833</b>	<b>61,447</b>
<b>Expenses</b>			
Employee benefits	6	4,496	5,300
Contractors		11,134	12,607
Wood purchases - back to back		-	30,447
Depreciation and amortisation	12, 14	1,506	1,629
Materials		559	742
Equipment and vehicle costs		772	1,283
Council rates		293	283
Impairment of assets		90	563
Other expenditure	4(v)	6,983	8,556
Net loss from the disposal of non-current assets	4(iv)	436	-
<b>Total expenses</b>		<b>26,269</b>	<b>61,410</b>
<b>Trading profit/(loss) before revaluation of standing timber</b>		<b>(436)</b>	<b>37</b>
Net change in value of standing timber	11	5,962	(1,969)
<b>Profit/(loss) before income tax equivalent</b>		<b>5,526</b>	<b>(1,932)</b>
Income tax equivalent expense	5	-	-
<b>Profit/(loss) after income tax equivalent</b>	7(ii)	<b>5,526</b>	<b>(1,932)</b>
<b>Other comprehensive income</b>		<b>563</b>	<b>-</b>
Land revaluation recorded in asset revaluation surplus	12	-	-
Impairment of property, plant and equipment prior to restructure	12	-	(724)
Property, plant and equipment recorded in asset revaluation surplus	12	-	(354)
<b>Total other comprehensive income</b>		<b>-</b>	<b>(1,078)</b>
<b>Total comprehensive result</b>		<b>5,526</b>	<b>(3,010)</b>

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 30 JUNE 2017

	Note	2017 \$'000	2016 \$'000
<b>Current assets</b>			
Cash and cash equivalents	7	13,685	19,759
Receivables	8	10,171	6,513
Inventories	9	319	591
Standing timber	11	5,111	4,208
Assets classified as held for sale	10	55	276
<b>Total current assets</b>		29,341	31,347
<b>Non-current assets</b>			
Standing timber	11	46,839	41,780
Property, plant and equipment	12	53,022	53,917
Intangible assets	14	567	1,155
<b>Total non-current assets</b>		100,428	96,852
<b>Total assets</b>		129,769	128,199
<b>Current liabilities</b>			
Payables	15	2,441	2,390
Employee benefits	16	539	571
Deferred income	17	269	349
Other provisions	18	232	265
<b>Total current liabilities</b>		3,481	3,575
<b>Non-current liabilities</b>			
Payables	15	97	109
Employee benefits	16	628	704
Deferred income	17	770	811
Other provisions	18	413	576
<b>Total non-current liabilities</b>		1,908	2,200
<b>Total liabilities</b>		5,389	5,775
<b>Net assets</b>		124,380	122,424
<b>Equity</b>			
Other reserves	19	86,067	80,177
Retained earnings	19	38,313	42,247
<b>Total equity</b>		124,380	122,424
<b>Commitments and contingencies</b>			
Unrecognised contractual commitments	21		
Contingent liabilities and assets	21		

**STATEMENT OF CASHFLOWS**  
**FOR THE SOUTH AUSTRALIAN FORESTRY CORPORATION**  
**FOR THE YEAR ENDED JUNE 2017**

	Note	2017 Inflows (Outflows) \$'000	2016 Inflows (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		19,424	57,537
Payments to suppliers and employees		(25,992)	(65,153)
Interest received		233	563
Receipts from SA Government		3,872	4,353
GST refunded/(remitted) to/from Australian Taxation Office		287	(133)
<b>Net cash flows from operating activities</b>	7 (ii)	(2,176)	(2,833)
<b>Cash flows from investing activities</b>			
Purchase of property, timber, plant & equipment		(421)	(284)
Purchase of intangible assets		(143)	(313)
Proceeds from sale of assets		236	4,813
<b>Net cash flows from investing activities</b>		(328)	4,216
<b>Cash flows from financing activities</b>			
Dividend paid		(3,570)	-
<b>Net cash flows from financing activities</b>		(3,570)	-
Net increase/(decrease) in cash held		(6,074)	1,383
<b>Cash and cash equivalents at the beginning of the period</b>		19,759	18,376
<b>Cash and cash equivalents at the end of the period</b>	7 (i)	13,685	19,759

# STATEMENT OF CHANGES IN EQUITY

## FOR THE SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED JUNE 2017

	Asset revaluation surplus \$'000	Standing timber reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Balance at 30 June 2015</b>	<b>40,320</b>	<b>42,980</b>	<b>42,134</b>	<b>125,434</b>
Impairment of property, plant and equipment prior to restructure	(724)	-	-	(724)
Gain/(loss) on revaluation	(354)	-	-	(354)
<b>Net income/expense recognised directly in equity</b>	<b>(1,078)</b>	<b>-</b>	<b>-</b>	<b>(1,078)</b>
Profit/(loss) for the period	-	-	(1,932)	(1,932)
Total comprehensive result for 2015-16	(1,078)	-	(1,932)	(3,010)
Transfers to/(from) equity	(76)	(1,969)	2,045	-
<b>Total change for the period</b>	<b>(1,154)</b>	<b>(1,969)</b>	<b>113</b>	<b>(3,010)</b>
<b>Balance at 30 June 2016</b>	<b>39,166</b>	<b>41,011</b>	<b>42,247</b>	<b>122,424</b>
Impairment of property, plant and equipment prior to restructure	-	-	-	-
Gain/(loss) on revaluation	-	-	-	-
Net income/expense recognised directly in equity	-	-	-	-
Profit/(loss) for the period	-	-	5,526	5,526
<b>Total comprehensive result for 2016-17</b>	<b>-</b>	<b>-</b>	<b>5,526</b>	<b>5,526</b>
Transfers to/(from) equity	(94)	5,962	(5,890)	-
<b>Transactions with Government as owner</b>				
Dividends paid/payable	-	-	(3,570)	(3,570)
<b>Total change for the period</b>	<b>(94)</b>	<b>5,962</b>	<b>(3,912)</b>	<b>1,956</b>
<b>Balance at 30 June 2017</b>	<b>39,072</b>	<b>46,973</b>	<b>38,335</b>	<b>124,380</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

#### 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 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

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

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

Recoveries of expenses and GOC from OFO under the PMA are disclosed in the statement of comprehensive income as sales - management services.
- The operations deed between the Treasurer and OFO requires the performance, among other things, of specified fire management functions. ForestrySA provided these functions to OFO under the PMA.
- ForestrySA has required funding from the SA Government in order to continue its Community Service Obligations activities

(particularly fire response) and the performance of its obligations under the PMA as negotiated by the Treasurer as part of the forward sale. The arrangement for the provision of this funding resulted in a trading loss of \$436,000 in 2016-17 (2015-16: trading profit \$37,000) before the revaluation of standing timber.

##### ForestrySA arrangements with OneFortyOne Plantations Pty Ltd (OFO) from 1 October 2015

On 22 July 2015 changes to ForestrySA's agency arrangements were announced and a Restructure Deed was entered into by ForestrySA and OFO. From 1 October 2015 OFO took over plantation management from ForestrySA.

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

The SA Government retains ownership of the forest land, water, and carbon rights, and ForestrySA maintains a staff presence in the South East.

During 2015-16 a number of employees were transferred to OFO following employment offers made to ForestrySA employees in the South East who were predominantly involved in providing plantation management. A number of assets owned by ForestrySA and ForestrySA's IT system licence were purchased by OFO during 2015-16. Assets were purchased by OFO at their written down book value.

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (a) Statement of compliance

ForestrySA has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*.

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

ForestrySA has applied Australian Accounting Standards that are applicable to for-profit entities, as ForestrySA is a for-profit entity.

##### (b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and management to exercise its judgement in the process of applying ForestrySA's accounting policies. The areas involving a higher degree of judgement, or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes.
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency, the Accounting Policy Statements require the following note disclosures that have been included in these financial statements:



# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

- i. revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100,000 for separate identification of these items applies. Refer to Note 23.
- ii. expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income);
- iii. employee targeted voluntary separation package information; and
- iv. employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2017 and the comparative information presented.

#### (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 Forestry SA has applied an accounting policy retrospectively; retrospectively restated items in the financial statements; reclassified items in the financial statements, financial statements have been amended and comparative amounts have been reclassified unless reclassification is impracticable.

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

#### (e) Rounding

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

#### (f) Taxation

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

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

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

- when the GST incurred on a purchase of goods or services is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable.
- Receivables and payables, which are stated with the amount of GST included.

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

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Australian Taxation Office is classified as part of operating cash flows.

#### (g) Events after the reporting period

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

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

#### (h) Current and non-current classification

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

#### (i) Non Current Assets

##### Acquisition and recognition

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

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

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

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

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

##### Depreciation and amortisation

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

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

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

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

Land and assets held for sale are not depreciated.

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

Class of asset	Depreciation method	Useful life (years)
Buildings and structures	Straight line	25-60
Leasehold improvements	Straight line	life of lease
Roads and land improvements	Straight line	20-25
Plant and equipment	Straight line	3-25
Intangibles	Straight line	1-3

##### Revaluation of non-current assets

Land was revalued as at 30 June 2015, while buildings and structures were revalued as at 30 June 2016, in accordance with APF III Asset Accounting Framework. Assets in other asset classes are deemed to have been revalued to their fair values immediately following recognition at cost.

The basis of the revaluation of land performed by 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 2015. In 2017 the Board has made the assessment that they believe land remains to be recorded at fair value and no adjustment to the value of land was required.

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

At least every five years, an independent valuation appraisal of ForestrySA's buildings and structures will be performed. However, if at any time management considers that the carrying amount of an asset class materially differs from its fair value, then the asset class will be revalued regardless of when the last valuation took place. ForestrySA undertook an independent valuation appraisal of its buildings and structures in June 2016.

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

#### *Fair value measurement*

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

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

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

The valuation processes and fair value changes are reviewed by the Chief Finance Officer and Audit Committee at each reporting date.

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

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

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

ForestrySA engaged Indufor Asia Pacific Ltd to establish the valuation for its plantation estate in the Mt Lofty Ranges as at 30 June 2017. 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.

#### Impairment

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

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

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

#### *Intangible assets*

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

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

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

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

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

#### *Biological Assets*

Biological Assets (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 methodology was approved by the Acting Treasurer in 2013-14 consistent with APF III *Asset Accounting Framework* APS 3.9.

Under the NPV methodology, valuation changes mainly arise from:

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

Assumptions underpinning the NPV calculation are:

- Forest valuations are based on the expected volumes of merchantable timber that will be realised from existing stands, 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;

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

- Volume increments/decrements are determined both by periodic re-measurement of forest samples and by modelling growth from the date of the most recent measurement to date of harvest;
- Prices used in the NPV calculation are reflective of estimated future prices, based on current understanding of the market forces impacting historical prices.

The NPV approach takes the real 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% (2016: 8.5%) (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 disclosed in Note 11.

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 January 2015.

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.

#### (j) Liabilities

##### Employee Benefits

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

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

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

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

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

##### Long service leave

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

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

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

##### Leases

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

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

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

#### (k) Unrecognised contractual commitments and contingent assets and liabilities

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

#### (I) Insurance

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

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

#### 3 NEW AND REVISED ACCOUNTING STANDARDS AND POLICIES

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by ForestrySA for the period ending 30 June 2017. 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.

On 1 July 2016 Forestry SA changed its accounting policy in relation to its asset capitalisation threshold, increasing it from \$3,000 to \$10,000. This change in policy was required for compliance with its asset management policy.

The change in accounting policy has been applied retrospectively and comparative information in relation to the 2015-16 financial year has been restated accordingly. Comparison of the original reported figures to the revised reported figures has been disclosed in Note 26.

Reference	Title and date of standard application	Summary	Impact on financial statements	Application date for FSA
AASB 16	Leases 1 Jan 2019	<p>This new standard introduces a single accounting model for lessees.</p> <p>The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.</p> <p>A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset, and a lease liability representing its obligations to make lease payments.</p> <p>The right-of-use asset will be initially recognised at cost, consisting of the initial amount of the associated lease liability, plus any lease payments made to the lessor at or before the effective date, less any leave incentive received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The right of use assets will give rise to depreciation expense.</p> <p>The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease payments will no longer be expenses in the Statement of Comprehensive Income on a straight line basis. Rather, they will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will be recognised as an expense.</p> <p>Further the classification of cash flows will be affected as operating lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively. Currently, operating lease payments are presented as operating cash flows.</p> <p>AASB 16 allows a 'cumulative approach' rather than full retrospective application to recognised existing operating leases. If a lessee chooses to apply the 'cumulative approach', it does not need to restate comparative information. Instead, the cumulate effect of applying the standard is recognised as an adjustment to the opening balance of accumulated surplus at the date of initial application.</p>	<p>As at 30 June, ForestrySA has non-cancellable operating lease commitments of \$570,000. Refer Note 21.</p> <p>These are currently recorded as commitments and are not captured in the Statement of Financial Position.</p> <p>The change in standard will require ForestrySA to record almost all operating lease arrangements in all financial statements.</p> <p>ForestrySA has not yet quantified the impact of on the Statement of Comprehensive Income or Statement of Financial Position of applying AASB 16 to its current operating leases.</p>	1 July 2019

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

#### 3 NEW AND REVISED ACCOUNTING STANDARDS AND POLICIES CONT.

Reference	Title and date of standard application	Summary	Impact on financial statements	Application date for FSA
AASB 15	Revenue from Contracts with Customers 1 Jan 19	<p>AASB 15 will replace AASB 118 and AASB 111.</p> <p>AASB 15 introduces a five step process for revenue recognition with the core principle being to recognise revenue 'when control of a good or services transfers to a customer'. This is effectively when performance obligations have been met, rather than the former model of 'where the risks and rewards of ownership reside'.</p> <p>AASB 15 will result in increased disclosures about revenue.</p> <p>AASB allows a 'cumulative approach' rather than a full retrospective application. If the 'cumulative approach' is applied, there is no need to restate comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of the accumulated surplus at the date of initial application.</p>	<p>The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue from sales of ForestrySA's goods and services. Some revenue may need to be deferred to a later reporting period to the extent that ForestrySA has received cash but have not yet met the associated performance obligations.</p> <p>ForestrySA is currently considering its contractual arrangements with a focus on the definition of a contract and the definition of a customer and service contract arrangements that may result in the identification of separate performance obligations which could affect the timing of revenue recognition.</p> <p>ForestrySA has commenced its analysis however at this stage, is not able to estimate the dollar impact on the financial statements.</p> <p>ForestrySA's financial report will include additional disclosures (qualitative and quantitative).</p>	

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

#### 4 REVENUE, OTHER INCOME AND EXPENSES

##### (i) Revenues from SA Government

	Note	2017 \$'000	2016 \$'000
Community Service Obligation funding <sup>1</sup>		3,559	3,719
Other revenues from SA Government <sup>2</sup>		6,149	2,392
Government Radio Network funding		399	389
Deferred revenues from SA Government <sup>1</sup>		31	49
Revenues from SA Government		10,138	6,549

<sup>1</sup> CSO funding received for capital expenditure is recognised in revenue over the life of the asset.

<sup>2</sup> Other revenues from SA government includes 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

##### (ii) Interest received or receivable

	Note	2017 \$'000	2016 \$'000
Interest received		233	563
Interest revenue		233	563

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

##### (iii) Other income

	Note	2017 \$'000	2016 \$'000
Other revenue from non SA Government entities		1,161	1,588
Other income		1,161	1,588

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

#### 4 REVENUE, OTHER INCOME AND EXPENSES CONT.

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

	Note	2017 \$'000	2016 \$'000
Land and buildings			
Net proceeds from disposal		-	52
Less expenses on disposal		(16)	-
Less net book value of assets disposed	12	(1)	(51)
Net (loss) from disposal of land and buildings		(17)	1
Plant and equipment			
Net proceeds from disposal		253	4,782
Less expenses on disposal		(1)	(21)
Less net book value of assets disposed	12	(671)	(4,472)
Net gain / (loss) from disposal of plant and equipment		(419)	310
Roads and land improvements			
Net proceeds from disposal	12	-	-
Less net book value of assets disposed		-	(8)
Net gain/(loss) from disposal of assets held for sale		-	(8)
Total assets			
Net proceeds from disposal		253	4,834
Less expenses on disposal		(17)	(21)
Less net book value of assets disposed		(672)	(4,531)
Net gain/(loss) from disposal of total assets		(436)	282

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

(v) Other expenditure

	Note	2017 \$'000	2016 \$'000
Doubtful debt provision / write down	8	(1)	(204)
Export - shipping		1,738	3,201
Export - marketing & other		1,877	2,780
Consultants <sup>1</sup>		170	-
Other <sup>2</sup>		3,199	2,779
		6,983	8,556

<sup>1</sup> The number and dollar amount of consultancies paid/payable that fell within the following bands:

	Note	No.	2017 \$'000
Below \$10,000		2	8
Above \$10,000		6	162
Total paid /payable to the consultants engaged		7	170
Payments made to consultants in 2016 was \$0.			

<sup>2</sup> Includes audit fees paid/payable to the Auditor-General's Department relating to work performed under the Public Finance and Audit Act of \$70,000 (2016:\$68,000). No other services were provided by the Auditor-General's Department.



# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

#### 5 INCOME TAX EQUIVALENT

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

##### Income tax equivalent

Accounting for income tax for the financial year is based on the tax equivalent calculations under the Accounting Profits Model prescribed in the State Tax Equivalent Regime (STER) and the applicable accounting standards (see note 2, not including AASB 112 Income Taxes). As ForestrySA does not report a trading profit the STER does not apply and no deferred tax asset is generated.

The Treasurer has provided ForestrySA with written approval to exclude gains and losses relating to 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 (2016: nil).

#### 6 EMPLOYEE BENEFITS EXPENSES

	2017 \$'000	2016 \$'000
Salaries and wages	3,383	4,245
Long service leave	38	(195)
Retention leave	3	93
Annual leave	276	320
Employment on-costs* - superannuation	614	587
Targeted Voluntary Separation Packages (TVSP)	182	250
Employment on-costs - other	4,496	5,300

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

	2017 Number	2016 Number
<b>Compensation of employees whose income was over the base executive remuneration level</b>		
The number of employees whose income, excluding TVSP, was within the following bands:		
\$145,000 - \$147,000	-	1
\$147,001 - \$157,000	1	-
\$157,001 - \$167,000	-	-
\$167,001 - \$177,000	1	-
\$177,001 - \$187,000	-	1
\$197,001 - \$207,000	-	1
\$217,001 - \$227,000	1	-
\$297,001 - \$307,000	-	1
\$307,001 - \$317,000	1	-
Total number of employees	4	4

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 benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$850,000 (2016: \$800,000).

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

#### 7 CASH AND CASH EQUIVALENTS

	2017 \$'000	2016 \$'000
Cash	1	1
Deposits	2,579	8,866
Cash Management Fund	11,105	10,892
	13,685	19,759

Cash is measured at nominal amounts.

#### Deposits and Cash Management Fund

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

#### Interest Rate Risk

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

#### Cash flows reconciliation

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

	2017 \$'000	2016 \$'000
Cash and cash equivalents as per statement of financial position	13,685	19,759
Cash and cash equivalents as per statement of cash flows	13,685	19,759

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

	2017 \$'000	2016 \$'000
Profit after income tax equivalents	5,526	(1,932)
<b>Non cash items</b>		
Net change in value of standing timber - other	(5,962)	1,969
Impairment of assets	90	563
Depreciation and amortisation	1,506	1,629
Loss/(Gain) on disposal of assets	436	(282)
	(3,930)	3,879
<b>Changes in operating assets and liabilities</b>		
Decrease/(Increase) in receivables	(3,658)	1,101
Decrease/(Increase) in inventories	272	168
(Decrease)/Increase in payables	39	(4,234)
(Decrease)/Increase in provisions	(196)	(237)
(Decrease)/Increase in employee benefits	(108)	(1,738)
(Decrease)/Increase in deferred income	(121)	160
Net cash flows from changes in operating balances	(3,772)	(4,780)
<b>Net cash flows from operating activities</b>	<b>(2,176)</b>	<b>(2,833)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

#### 8 RECEIVABLES

	2017 \$'000	2016 \$'000
<b>CURRENT</b>		
Trade receivables	8,344	6,157
Less doubtful debts	(30)	(31)
Other receivables	966	-
Accrued revenue	24	32
Prepayments	667	355
GST receivable	200	-
	10,171	6,513

#### 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.

	2017 \$'000	2016 \$'000
Movement in the allowance for doubtful debts (impairment loss)		
<b>Carrying amount at the beginning of the period</b>	31	247
Increase in allowance recognised in profit or loss	-	-
Amounts written off	-	-
Amounts recovered during the year	(1)	(216)
<b>Carrying amount at the end of the period</b>	30	31

#### Interest rate and credit risk

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

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the authority will not be able to collect the debt. Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

#### 9 INVENTORIES

	2017 \$'000	2016 \$'000
CURRENT		
Export log	257	526
Materials and stores	62	65
	319	591

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

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

#### 10 ASSETS CLASSIFIED AS HELD FOR SALE

	Note	2017 \$'000	2016 \$'000
Non-current assets classified as held for sale			
Land and buildings, property, plant and equipment		55	276
		55	276

#### 11 STANDING TIMBER

	Note	2017 \$'000	2016 \$'000
Opening balance		51,950	45,988
Other Revaluation / Impairment		5,962	(1,969)
Net change recorded in statement of comprehensive income		5,962	(1,969)
<b>Closing balance</b>		51,950	45,988
Unrealised (loss)/gain for the period included in the Statement of Comprehensive Income		5,962	(1,969)

ForestrySA has adopted the Discounted Cash Flow (DCF) method to value the current standing timber. In 2017 ForestrySA engaged Indufor Asia Pacific to provide the DCF valuation for its plantations. ForestrySA is recognising the single rotation forest valuation, being \$51,950,000 (2016: \$45,988,000). The DCF for multiple rotations is valued at \$37,907,000 (2016: \$30,971,000) per Indufor.

The standing timber comprises the following:			
<b>Fair Value</b>			
Standing timber as held to maturity		51,950	45,988
Total fair value		51,950	45,988
<b>CURRENT ASSET</b>			
Current portion of standing timber valuation		5,111	4,208
<b>NON-CURRENT ASSET</b>			
Non-current portion of standing timber valuation		46,839	41,780



NOTES TO THE FINANCIAL STATEMENTS  
SOUTH AUSTRALIAN FORESTRY CORPORATION  
FOR THE YEAR ENDED 30 JUNE 2017

12 PROPERTY, PLANT AND EQUIPMENT

	Land \$ '000	Buildings and structures \$ '000	Roads and land improvements \$ '000	Plant and equipment \$ '000	Total \$ '000
<b>Year ended 30 June 2016</b>					
As at 1 July 2015, net of accumulated depreciation and impairment	39,140	10,164	2,242	9,530	61,076
Additions / transfers	-	-	229	55	284
Disposals	-	(51)	(8)	(4,472)	(4,531)
Assets reclassified to or out of assets held for sale	-	-	-	(276)	(276)
Revaluation decrements	-	(354)	-	-	(354)
Impairment	-	(1,144)	(127)	(16)	(1,287)
Depreciation charge for the year	-	(421)	(141)	(433)	(995)
Net of accumulated depreciation and impairment	39,140	8,194	2,195	4,388	53,917
<b>At 30 June 2016</b>					
Cost or fair value	39,140	8,714	4,103	8,943	60,900
Accumulated depreciation and impairment	-	(520)	(1,908)	(4,555)	(6,983)
Net carrying amount	39,140	8,194	2,195	4,388	53,917
<b>Year ended 30 June 2017</b>					
As at 1 July 2016, net of accumulated depreciation and impairment	39,140	8,194	2,195	4,388	53,917
Additions / transfers	-	80	341	-	421
Disposals	-	(1)	-	(671)	(672)
Assets reclassified to or out of assets held for sale	-	-	-	221	221
Revaluation decrements	-	-	-	(77)	(77)
Impairment	-	-	-	(13)	(13)
Depreciation charge for the year	-	(342)	(137)	(296)	(775)
Net of accumulated depreciation and impairment	39,140	7,931	2,399	3,552	53,022
<b>At 30 June 2017</b>					
Cost or fair value	39,140	8,773	4,444	7,715	60,072
Accumulated depreciation and impairment	-	(842)	(2,045)	(4,163)	(7,050)
Net carrying amount	39,140	7,931	2,399	3,552	53,022

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

## 12 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 a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Land was revalued using valuations provided by the Valuer General in 2015. In 2017 the Board has made the assessment that they believe land remains to be recorded at fair value and no adjustment to the value of land was required.

In 2016 ForestrySA engaged Herron Todd White, an accredited independent valuer, to determine the fair value of its buildings and structures. The effective date of the revaluation of the buildings and structures was 30 June 2016. The valuer valued on the basis of the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, assuming the probable use of an asset which is physically possible, appropriately justified, legally permissible, financially feasible and which results in the highest value of the asset valued. The valuation was based on a combination of internal records, specialised knowledge and the acquisition/transfer costs.

### Carrying amount of plant and equipment

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

Plant and equipment includes \$46,000 of fully depreciated (to salvage value) property still in use (2016:\$72,000).

### Impairment

In 2015-16 prior to the acquisition of some property, plant and equipment by OFO as part of the sale assets were tested for impairment. Plant and Equipment sold during 2016-17 was tested for impairment prior to sale. There were no additional indications of impairment of roads and land improvements and plant and equipment assets at 30 June 2017.

## 13 FAIR VALUE MEASUREMENT

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

Fair value recognised in the balance sheet are categorised into level 2 for land and level 3 for other assets at 30 June 2017. Land was valued by the Valuer General and was recategorised to a Level 2 valuation at 30 June 2015, based on a thorough analysis of the data applied for valuation.

ForestrySA's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

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

### Fair value measurements at 30 June 2017

	Notes	2017 \$ '000	Level 2 \$ '000	Level 3 \$ '000
<b>Recurring fair value measurements</b>				
Standing timber	11	51,950	-	51,950
Land	12	39,140	39,140	-
Buildings and structures	12	7,931	-	7,931
Roads and land improvements	12	2,399	-	2,399
Plant and equipment	12	3,552	-	3,552
Total recurring fair value measurements		104,972	39,140	65,832
<b>Non-recurring fair value measurements</b>				
Assets held for sale	10	55	-	55
Total non-recurring fair value measurements		55	-	55

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

#### 13 FAIR VALUE MEASUREMENT CONT.

##### Fair value measurements at 30 June 2016

	Notes	2015 \$ '000	Level 2 \$ '000	Level 3 \$ '000
<b>Recurring fair value measurements</b>				
Standing timber	11	45,988	-	45,988
Land	12	39,140	39,140	-
Buildings and structures	12	8,194	-	8,194
Roads and land improvements	12	2,195	-	2,195
Plant and equipment	12	4,388	-	4,388
Total recurring fair value measurements		99,905	39,140	60,765
<b>Non-recurring fair value measurements</b>				
Assets held for sale	10	276	-	276
Total non-recurring fair value measurements		276	-	276

##### Valuation techniques and inputs

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

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

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

	2017 \$ '000	2016 \$ '000
<b>Total valuation gains and losses</b>		
Standing timber	5,962	(1,969)
Land	-	-
Property, plant and equipment	-	(354)
	5,962	(2,323)
<b>Total valuation gain / (loss) for the year</b>	<b>(2,323)</b>	<b>20,630</b>

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

#### 13 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% (2016: 8.5%)
		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 <sup>1</sup>	Market approach	Valuer General's statutory valuation derived from available market evidence.
		Discount factors for legal restrictions - Green Triangle (GT) 40% (2016: 40%), Mount Lofty Ranges (MLR) 65% (2016: 65%), Mid North (MN) 55% (2016: 55%)
Buildings and structures	Market approach	External valuation report
Roads and Improvements	Cost approach	Useful life - 20-25 years
Plant and Equipment	Cost approach	Useful life - 3-25 years
Assets held for sale	Fair value less costs of disposal	Market assessment

<sup>1</sup> 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 2017 financial year ForestrySA has engaged Indufor Asia Pacific to provide this DCF valuation for its plantations in the Mount Lofty Ranges.

ForestrySA is recognising the single rotation forest valuation, being \$51,950,000 (2016: \$45,988,000). The DCF for multiple rotations is valued at \$37,907,000 (2016: \$30,971,000).

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:

Factor level	90%	95%	100%	105%	110%
AUD million					
Revenue	39.398	45.674	51.950	58.225	64.501
Production Costs	55.777	53.863	51.950	50.036	48.123
Transport Costs	54.274	53.112	51.950	50.787	49.625
Operational Expenditure	52.268	52.109	51.950	51.790	51.631
Capital Expenditure	51.950	51.950	51.950	51.950	51.950
Area Based SG&A Expenditure	52.836	52.393	51.950	51.507	51.064
Discount Rate	7.50%	8.00%	8.50%	9.00%	9.50%
	57.039	54.390	51.950	49.696	47.612



# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

#### 13 FAIR VALUE MEASUREMENT CONT.

##### Reconciliation of fair value measurements

	Standing timber	Land	Buildings and structures	Roads and land improvements	Plant and equipment
<b>Opening balance at 1 July 2016</b>	45,988	39,140	8,194	2,195	4,388
Acquisitions	-	-	80	341	-
Disposals	-	-	(1)	-	(671)
Transfer out of level 3	-	-	-	-	-
Transfer into level 2	-	-	-	-	-
Assets reclassified to or out of assets held for sale	-	-	-	-	221
Depreciation	-	-	(342)	(137)	(296)
Impairment	-	-	-	-	(13)
Transfers within asset classes	-	-	-	-	-
	-	-	(263)	204	(759)
<b>Total gains / (losses) for the period in other comprehensive income:</b>	-	-	-	-	-
Revaluation increment / (decrement)	5,962	-	-	-	(77)
	5,962	-	-	-	(77)
<b>Closing balance at 30 June 2017</b>	51,950	39,140	7,931	2,399	3,552

##### Reconciliation of fair value measurements

	Standing timber	Land	Buildings and structures	Roads and land improvements	Plant and equipment
<b>Opening balance at 1 July 2015</b>	47,957	39,140	10,164	2,242	9,530
Acquisitions	-	-	-	229	55
Disposals	-	-	(51)	(8)	(4,472)
Transfer out of level 3	-	-	-	-	-
Transfer into level 2	-	-	-	-	-
Assets reclassified to or out of assets held for sale	-	-	-	-	(276)
Depreciation	-	-	(421)	(141)	(433)
Impairment	-	-	(1,144)	(127)	(16)
Transfers within asset classes	-	-	-	-	-
	-	-	(1,616)	(47)	(5,142)
<b>Total gains / (losses) for the period in other comprehensive income:</b>					
Revaluation increment / (decrement)	(1,969)	-	(354)	-	-
	(1,969)	-	(354)	-	-
<b>Closing balance at 30 June 2016</b>	45,988	39,140	8,194	2,195	4,388

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

#### 14 INTANGIBLE ASSETS

	2017 \$ '000	2016 \$ '000
COMPUTER SOFTWARE		
As at 1 July, net of accumulated amortisation and impairment	1,155	1,476
Additions	143	313
Disposals	-	-
Amortisation charge for the year	(731)	(634)
Total computer software, net of accumulated amortisation and impairment	567	1,155
<b>As at 30 June:</b>		
Accumulated amortisation and impairment	(2,016)	(1,285)
Net Carrying Amount	567	1,155

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 2017.

#### 15 PAYABLES

	2017 \$ '000	2016 \$ '000
CURRENT		
Trade payables	2,240	1,587
Accrued expenses	132	725
Employee benefit on-costs*	69	78
	2,441	2,390
NON-CURRENT		
Employee benefit on-costs*	97	109
	97	109

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

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has not changed from the 2016 rate of 40%. The average factor for the calculation of employer superannuation on-costs has also changed from the 2016 rate (10.2%) to 10.1%. These rates are used in the employment on-cost calculation.

##### Interest rate and credit risk

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

Categorisation of financial instruments and risk exposure information - please refer to Note 24.

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

#### 16 EMPLOYEE BENEFITS

	2017 \$ '000	2016 \$ '000
<b>CURRENT</b>		
Accrued salaries and wages	92	67
Long service leave	166	184
Retention leave	23	34
Banking of time	10	17
Annual leave	248	269
	539	571
<b>NON-CURRENT</b>		
Long service leave	628	704
	628	704

AASB 119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave. AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has increased from 2016 (2%) to 2017 (2.5%).

The increase in bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The net financial effect of the changes in the current financial year is a decrease in the long service leave liability of \$32,000 and employee benefits expense of \$32,000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of factors and assumptions – a key assumption is the long-term discount rate.

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

#### Transfer of employee benefits

As part of the plantation management sale, 54 ForestrySA staff accepted offers from OFO and from 1st of October 2015 became employees of OFO. The transferred employees' accrued entitlements to annual leave, leave loading, personal/carer's leave, retention leave and long service leave (less those entitlements already taken or paid) were assumed by and recognised in their employment with OFO.

#### 17 DEFERRED INCOME

	2017 \$ '000	2016 \$ '000
<b>CURRENT</b>		
Deferred income	269	349
	269	349
<b>NON-CURRENT</b>		
Deferred income	770	811
	770	811
Movement in deferred income		
Carrying amount at the beginning of the period	1,160	1,000
Received during the year	286	416
Recognised as income in the Statement of Comprehensive Income	(407)	(256)
Carrying amount at the end of the period	1,039	1,160

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

#### 18 OTHER PROVISIONS

	2017 \$ '000	2016 \$ '000
<b>CURRENT</b>		
Workers compensation	232	265
	232	265
<b>NON-CURRENT</b>		
Workers compensation	413	576
	413	576
Movement in other provisions		
Opening balance	841	1,078
Payments	(343)	(365)
Increments/(decrements) in provision	147	128
Closing balance	645	841

#### Workers compensation

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2017 provided by a consulting actuary engaged through the Office for the Public Sector (a division of the Department of the Premier and Cabinet). The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

ForestrySA is responsible for the payment of workers compensation claims.

#### 19 EQUITY

	2017 \$ '000	2016 \$ '000
Retaining Earnings	38,313	42,247
Standing Timber reserve	46,973	41,011
Asset revaluation reserve	39,094	39,166
<b>Total Equity</b>	<b>124,380</b>	<b>122,424</b>

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

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

In 2016-17 ForestrySA declared a special dividend payable to the Government (Department of Treasury and Finance) for \$3.57 million as a result of cash inflows due to the internalisation of plantation management by OFO (Note 1). The special dividend was paid to the Department of Treasury and Finance on the 30 June 2017.

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

#### 20 SEGMENT INFORMATION

For management purposes ForestrySA has traditionally been organised into three forest regions and the Community Service Obligations portfolio. The reportable segments are:

- Mount Lofty Ranges (MLR): includes the Mt Crawford, Kuitpo and the Second Valley Forests which operate as a single commercial operation.
- Green Triangle (GT): includes the Forest Management services provided to OneFortyOne Plantations Pty Ltd. This region had no commercial contracts in 2016/17 hence reported no income or expenditure. The GT accounting segment was discontinued following the changes at 1 October 2015.
- Mid North (MN): this region has two forests, located at Wirrabara and Bundaleer.
- Community Service Obligations (CSO): ForestrySA performs under its charter non-commercial operations for the South Australian Government.

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

The executive and board of ForestrySA monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with profit or loss in the financial statements.

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



# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

#### 20 SEGMENT INFORMATION CONT.

Year ended 30 June 2017	\$'000				
	GT	MLR	MN	FUNDED	Total
Trading profit before revaluation of standing timber	-	(1)	(4)	(431)	(436)
Net change in value of standing timber	-	5,962	-	-	5,962
Impairment of property, plant and equipment prior to restructure	-	-	-	-	-
Property, plant and equipment recorded in asset revaluation surplus	-	-	-	-	-
<b>Total Comprehensive Result</b>	-	5,961	(4)	(431)	5,526

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

Year ended 30 June 2016	\$'000				
	GT	MLR	MN	FUNDED	Total
<b>Income</b>					
Sales - timber products	-	17,607	1,135	-	18,742
Wood purchases - back to back	30,447	-	-	-	30,447
Sales - Management Services	3,276	-	-	-	3,276
Comm Service Obligation funding	-	-	-	3,709	3,709
Revenues from SA Government	243	255	136	(170)	464
Interest	166	317	80	-	563
Other income	762	247	172	407	1,588
Net gain from the disposal of non-current assets	202	76	3	1	282
<b>Total income before other revenues from SA Government</b>	<b>35,096</b>	<b>18,502</b>	<b>1,526</b>	<b>3,947</b>	<b>59,071</b>
<b>Expenses</b>					
Employee benefits	(1,648)	(1,840)	(487)	(1,325)	(5,300)
Contractors	(349)	(8,973)	(636)	(2,649)	(12,607)
Wood purchases - back to back	(30,447)	-	-	-	(30,447)
Depreciation and amortisation	(689)	(459)	(138)	(343)	(1,629)
Materials	(8)	(509)	-	(225)	(742)
Equipment and vehicle costs	(259)	(394)	(62)	(568)	(1,283)
Council rates	(7)	(256)	(20)	-	(283)
Impairment of assets	(563)	-	-	-	(563)
Other expenditure	(1,100)	(6,974)	(391)	(91)	(8,556)
Net loss from the disposal of non-current assets	-	-	-	-	-
<b>Total Expenses</b>	<b>(35,070)</b>	<b>(19,405)</b>	<b>(1,734)</b>	<b>(5,201)</b>	<b>(61,410)</b>
<b>Segment Profit</b>					
Trading profit before revaluation of standing timber and other revenues from SA Government	<b>26</b>	<b>(903)</b>	<b>(208)</b>	<b>(1,254)</b>	<b>(2,339)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

#### 20 SEGMENT INFORMATION CONT.

Year ended 30 June 2016	\$'000				
	GT	MLR	MN	FUNDED	Total
<b>Other revenues from SA Government</b>	(26)	903	208	1,291	2,376
Trading profit before revaluation of standing timber	-	-	-	37	37
Net change in value of standing timber	-	(1,969)	-	-	(1,969)
Impairment of property, plant and equipment prior to restructure	(724)	-	-	-	(724)
Property, plant and equipment recorded in asset revaluation surplus	(354)	-	-	-	(354)
<b>Total Comprehensive Result</b>	<b>(1,078)</b>	<b>(1,969)</b>	<b>-</b>	<b>37</b>	<b>(3,010)</b>

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

#### 21 COMMITMENTS AND CONTINGENCIES

##### a) Commitments

	2017 \$ '000	2016 \$ '000
<b>i) Operating lease commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the accounts:		
Due not later than one year	206	222
Due later than one year but not later than five years	265	138
Due later than five years	99	-
<b>Total operating lease commitments</b>	<b>570</b>	<b>360</b>

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

<b>ii) Other commitments</b>		
Due not later than one year	5,336	5,213
Due later than one year but not later than five years	8,318	12,660
<b>Total other commitments</b>	<b>13,654</b>	<b>17,873</b>

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

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

##### b) Contingent Liabilities

###### Defined Benefit 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*.

In April 2017 ForestrySA was notified by the SA Superannuation Board of a \$2 million actuarially assessed funding deficit as at 30 June 2016 relating to defined benefit members employed by ForestrySA as at 1 July 2014. The funding deficit is expected to be funded over the next 11 to 13 years. In addition to regular contributions in relation to current superannuation benefits ForestrySA has expensed \$221,000 (2016: \$91,000) being the amount paid during the current financial year in relation to the benefit funding deficit. A liability has not been recognised for the remaining balance.

##### c) Contingent Assets

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

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

## 22 KEY MANAGEMENT PERSONNEL

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

### (a) Compensation of key management personnel

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

I.J. Kowalick - Chairman
J.R. Roache
S. West (ceased 30/9/2016)
S.W. Ashby (appointed 3/11/2016)

### (b) Other key management personnel

Executive	
J.P. Coleman	Chief Executive
J. Speed	General Manager Business Operations
G. Pearson (ceased 13/4/17)	Manager Forest and C&R
J.F. O'Hehir	General Manager Planning and Development
S. Ware	Finance Manager
N. Winkley (ceased 30/9/16)	Manager External Services
P. Ginn	Manager Commercial Forestry Operations
C. Gibson (commenced 14/11/16)	Manager Conservation, Recreation, Fire and Safety
A. Moylan (appointed 22/5/17)	Manager Community and Recreation
Other	
Hon L. Bignell	Minister for Forests
A. Rae (appointed 22/5/17)	HR Adviser

### (c) Compensation of key management personnel

	2017 \$ '000	2016 \$ '000
Short-term employee benefits paid or due and payable to or on behalf of key management personnel	1,164	1,362
Termination payments paid or due and payable to or on behalf of key management personnel	78	10
Superannuation benefits paid or due and payable to or on behalf of key management personnel	132	163
Total	1,374	1,535

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

#### 22 KEY MANAGEMENT PERSONNEL

##### (d) Remuneration of governing board members

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

	2017 \$ '000	2016 \$ '000
\$0 - \$9,999*	2	1
\$10,000 - \$19,999	-	3
\$20,000 - \$29,999	-	-
\$30,000 - \$39,999	1	1
\$40,000 - \$49,999	1	-
\$50,000 - \$59,999	-	1
Total	4	6

The total remuneration received and receivable by those governing board members was \$98,000 (2016:\$140,000) which includes fringe benefits and superannuation contributions. Note, these amounts are also disclosed in note (c) above.

\*In accordance with the Premier and Cabinet Circular No. 016, two SA Government employees (2016: one) did not receive any remuneration for governing board duties during the financial year.

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

Transactions between ForestrySA and its directors are made at arm's length. There have been no such transactions in the financial year (2016: nil).

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

#### 23 TRANSACTIONS WITH SA GOVERNMENT

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

	Note	SA Government		Non-SA Government		Total	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Income</b>							
Sales - timber products		-	-	14,180	18,742	14,180	18,742
Wood sales - back to back		-	-	-	30,447	-	30,447
Sales - Management Services		-	-	121	3,276	121	3,276
Comm Service Obligation Funding		3,559	3,719	-	-	3,559	3,719
Other Revenues from SA Government		6,149	2,392	-	-	6,149	2,392
GRN Funding		399	389	-	-	399	389
CSO Deferred Income		31	49	-	-	31	49
Interest	4(ii)	233	402	-	161	233	563
Other income	4(iii)	-	-	1,161	1,588	1,161	1,588
Net gain from the disposal of non-current assets	4(iv)	-	-	-	282	-	282
<b>Total Income</b>		<b>10,371</b>	<b>6,951</b>	<b>15,462</b>	<b>54,496</b>	<b>25,833</b>	<b>61,447</b>
<b>Expenses</b>							
Employee benefits	7	95	72	4,401	5,228	4,496	5,300
Contractors		-	-	11,134	12,607	11,134	12,607
Wood purchases - back to back		-	-	-	30,447	-	30,447
Depreciation and amortisation	12, 14	-	-	1,506	1,629	1,506	1,629
Materials and equipment		54	99	1,277	1,926	1,331	2,025
Council rates		-	-	293	283	293	283
Impairment of assets		-	-	90	563	90	563
Other expenditure	4(v)	975	974	6,008	7,582	6,983	8,556
Net loss from disposal of non-current assets	4(iv)	-	-	436	-	436	-
<b>Total Expenses</b>		<b>1,124</b>	<b>1,145</b>	<b>25,145</b>	<b>60,265</b>	<b>26,269</b>	<b>61,410</b>
<b>Trading profit / (loss) before revaluation of standing timber</b>		<b>9,247</b>	<b>5,806</b>	<b>(9,683)</b>	<b>(5,769)</b>	<b>(436)</b>	<b>37</b>
Net change in value of standing timber	11	-	-	5,962	(1,969)	5,962	(1,969)
Land revaluation recorded in asset revaluation surplus	12	-	-	-	-	-	-
Impairment of property, plant and equipment prior to restructure	12	-	-	-	(724)	-	(724)
Property, plant and equipment recorded in asset revaluation surplus	12	-	-	-	(354)	-	(354)
<b>Total comprehensive result</b>		<b>9,247</b>	<b>5,806</b>	<b>(3,721)</b>	<b>(8,816)</b>	<b>5,526</b>	<b>(3,010)</b>

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 2017

23 TRANSACTIONS WITH SA GOVERNMENT CONT.

	Note	SA Government		Non-SA Government		Total	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Financial Assets</b>							
Cash and cash equivalents	7	11,105	10,892	2,580	8,867	13,685	19,759
Receivables	8	7,122	3,836	3,049	2,677	10,171	6,513
<b>Total current financial assets</b>		<b>18,227</b>	<b>14,728</b>	<b>5,629</b>	<b>11,544</b>	<b>23,856</b>	<b>26,272</b>
<b>Total financial assets</b>		<b>18,227</b>	<b>14,728</b>	<b>5,629</b>	<b>11,544</b>	<b>23,856</b>	<b>26,272</b>
<b>Financial liabilities</b>							
Payables	15	557	277	1,884	2,113	2,441	2,390
Employee benefits	16	-	-	539	571	539	571
Deferred income	17	47	65	222	284	269	349
Other provisions	18	232	265	-	-	232	265
<b>Total current financial liabilities</b>		<b>836</b>	<b>607</b>	<b>2,645</b>	<b>2,968</b>	<b>3,481</b>	<b>3,575</b>
<b>Non-current financial liabilities</b>							
Payables	15	-	-	97	109	97	109
Employee benefits	16	-	-	628	704	628	704
Deferred income	17	715	742	55	69	770	811
Other provisions	18	413	576	-	-	413	576
<b>Total non-current financial liabilities</b>		<b>1,128</b>	<b>1,318</b>	<b>780</b>	<b>882</b>	<b>1,908</b>	<b>2,200</b>
<b>Total financial liabilities</b>		<b>1,964</b>	<b>1,925</b>	<b>3,425</b>	<b>3,850</b>	<b>5,389</b>	<b>5,775</b>
<b>Total net financial assets</b>		<b>16,263</b>	<b>12,803</b>	<b>2,204</b>	<b>7,694</b>	<b>18,467</b>	<b>20,497</b>

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

#### 24 FINANCIAL INSTRUMENTS

##### (i) Credit risk exposures

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

The nature and location of ForestrySA's forestry operations cause concentration of credit risk in relation to trade receivables as 78% of the value of transactions for the financial year were transactions with the three largest (non-SA Government) of ForestrySA's customers (2016: 81%, four largest customers).

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

- payment terms are 30 days unless otherwise agreed in the terms and conditions of individual contracts.
- a risk assessment process is used for customers with balances over \$10,000.
- bank guarantees are obtained for specific customers (see also note 21).
- interest may be charged on overdue balances.

##### (ii) Foreign currency risk exposures

As at 30 June 2017 ForestrySA's exposure to foreign currencies is nil (2016: nil).

##### (iii) Interest rate risk exposures

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

	Floating rate \$'000	Non-interest bearing \$'000	Fixed interest maturing			2017 Total \$'000	2016 Total \$'000
			1 year or less \$'000	1-5 years \$'000	Over 5 years \$'000		
Financial assets:							
Cash and cash equivalents	13,685	-	-	-	-	13,685	19,759
Receivables <sup>1</sup>	-	9,304	-	-	-	9,304	6,158
	13,685	9,304	-	-	-	22,989	25,917
Financial liabilities:							
Payables <sup>2</sup>	-	2,240	-	-	-	2,240	2,201
	-	2,240	-	-	-	2,240	2,201
<b>Net Financial assets/ (liabilities)</b>	<b>13,685</b>	<b>7,064</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,749</b>	<b>23,716</b>

<sup>1</sup> Other than prepayments and statutory receivables

<sup>2</sup> 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 2017

#### 24 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
<b>2017</b>						
Cash and cash equivalents	13,685	13,685	-	-	-	-
Receivables <sup>1</sup>	9,304	7,946	1,310	26	22	30
	22,989	21,600	1,310	26	22	30
<b>2016</b>						
Cash and cash equivalents	19,759	19,759	-	-	-	-
Receivables <sup>1</sup>	6,158	4,771	868	182	337	31
	25,917	24,530	868	182	337	31

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

##### (v) Net fair value of financial assets and liabilities

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

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

##### (vi) Hedging instruments

###### *Hedges of specific instruments*

ForestrySA had one open hedging instrument, in relation to an export sale, in the amount of USD694k for settlement on 25 July 2017.

##### (vii) Liquidity risk

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

#### 25 EVENTS AFTER REPORTING DATE

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

There were no events that required adjustments.

# NOTES TO THE FINANCIAL STATEMENTS

## SOUTH AUSTRALIAN FORESTRY CORPORATION

### FOR THE YEAR ENDED 30 JUNE 2017

#### 24 CHANGE OF ACCOUNTING POLICY

ForestrySA changed its accounting policy from 1 July 2016 and now capitalises assets with a value equal to or in excess of \$10,000. The previous threshold was \$3,000. The change in accounting policy has been retrospectively applied and comparative figures have been restated. This change in policy was required for compliance with ForestrySA's asset management policy.

	2016 Reported \$'000	2016 Adjusted \$'000
<b>Statement of Comprehensive Income</b>		
Revenues from SA Government	6,539	6,549
Depreciation	1,714	1,629
Equipment and vehicle costs	1,225	1,283
<b>Net result</b>		
<b>Statement of Financial Position</b>		
Property, Plant and equipment	54,460	53,917
Intangible Assets	1,159	1,155
Deferred Income - Current	351	349
Deferred Income - Non-Current	971	811
Retained Earnings at 30 June 2016	42,632	42,247
<b>Statement of Changes in Equity</b>		
Balance of Retained Earnings at 30 June 2015	42,556	42,134
<b>Net result</b>	<b>(3,047)</b>	<b>(3,010)</b>
Balance of Retained Earning at 30 June 2016	42,632	42,247
<b>Statement of Cashflows</b>		
Payments to supplier, service providers	(65,095)	(65,153)
<b>Net cash flows from operating activities</b>	<b>(2,775)</b>	<b>(2,833)</b>
Purchase of property, plant and equipment	(342)	(284)
<b>Net cash flows from investing activities</b>	<b>4,158</b>	<b>4,216</b>

## 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 2017 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  
**CHIEF EXECUTIVE**  
**SOUTH AUSTRALIAN FORESTRY CORPORATION**

15 September 2017



Julian Speed  
**GENERAL MANAGER – BUSINESS OPERATIONS**  
**SOUTH AUSTRALIAN FORESTRY CORPORATION**

15 September 2017



Ian Kowalick  
**CHAIRMAN**  
**SOUTH AUSTRALIAN FORESTRY CORPORATION**

15 September 2017



**INDEPENDENT AUDITOR'S REPORT**



**Government of South Australia**  
**Auditor-General's Department**

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**To the Chairman of the Board  
South Australian Forestry Corporation**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 32(4) of the *Public Corporations Act 1993*, I have audited the financial report of the South Australian Forestry Corporation for the financial year ended 30 June 2017.

**Opinion**

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the South Australian Forestry Corporation as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chairman, the Chief Executive and the General Manager Business Operations.

**Basis for opinion**

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

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

### **Responsibilities of the Chief Executive and members of the Board for the financial report**

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

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

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

### **Auditor's responsibilities for the audit of the financial report**

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

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

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

## INDEPENDENT AUDITOR'S REPORT CONTINUED

- exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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



Andrew Richardson

**Auditor-General**

18 September 2017



# MANDATORY REPORTING ITEMS



# FORESTRYSA BUSINESS STRATEGY

ForestrySA's business strategy has strong links with the goals and targets set out by the State Government in South Australia's Strategic Plan.

ForestrySA Strategy	South Australia's Strategic Plan
Ongoing optimisation of management practices to drive the highest possible return to Government.	<b>South Australia has a resilient, innovative economy.</b> Target 35: Economic growth.
Position the Mount Lofty Ranges estate for the long term.	<b>We look after our land, rivers and wetlands.</b> Target 70: Sustainable land management.
Commercialise returns from low-value wood, for which there is no current use.	<b>South Australia has a resilient, innovative economy.</b> Target 35: Economic growth.
Look after the Green Triangle Native Forest estate for conservation, in the context of a working pine plantation.	<b>We look after our land, rivers and wetlands.</b> Target 69: Lose no species.
Ensure an ongoing social licence for plantation forestry via integrated community forest use and visitor facilities.	<b>Governments demonstrate strong leadership working with and for the community.</b> Target 32: Customer and client satisfaction with government services.
Provide world-class fire protection of the forest estate and ensure community protection.	<b>We are prepared for natural disasters.</b> Target 20: Bushfire preparedness.
Continue to value our people and provide a safe and enriching place for them to work.	<b>We are safe and protected at work and on the roads.</b> Target 21: Greater safety at work.
Divest forest research and development capacity to a new "hub" for the benefit of the forest industry as a whole.	<b>Our research and development builds on our competitive strengths and addresses weaknesses.</b> Target 95: Industry collaboration, research and development commercialisation.



# HUMAN RESOURCES

## OCCUPATIONAL HEALTH, SAFETY AND REHABILITATION PROGRAMS

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

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

ForestrySA is committed to the continuous improvement of our Work Health Safety (WHS) performance, through the ongoing development of the Safety Management System, consultation with our employees and a focus on the health and safety issues that affect all employees, the public, contractors, clients and visitors.

The ForestrySA Leadership Team continues to actively demonstrate their involvement and commitment to WHS by monitoring, reviewing, challenging and participating in safety programs. Regular communication with key stakeholders and involvement in incident investigations are key areas which involve all members of the Leadership Team.

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

# HUMAN RESOURCES CONTINUED

## EMPLOYMENT OPPORTUNITY PROGRAMS

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

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

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

## PERFORMANCE MANAGEMENT AND DEVELOPMENT

Performance management and development system	Effectiveness and efficiency
Biannual staff performance reviews	85% FTE completed a review during 2016-17

## LEADERSHIP AND MANAGEMENT DEVELOPMENT

	Total cost	% of total salary expenditure
Total leadership and management development expenditure	\$106,016	3%

## EXECUTIVE EMPLOYMENT

Executive classification	Number
Exec C	1
Exec B	2

# HUMAN RESOURCES CONTINUED

## WORKPLACE DIVERSITY - AT 30 JUNE 2017

Age bracket	Male	Female	Total	% of total	Workforce Benchmark (%)*
15-19	-	-	-	0	2.2
20-24	-	1	1	2.7	8.0
25-29	-	-	-	0	12.1
30-34	4	4	8	21.6	11.5
35-39	2	-	2	5.4	10.6
40-44	5	3	8	21.6	11.7
45-49	3	1	4	10.8	11.2
50-54	2	2	4	10.8	13.8
55-59	6	1	7	18.9	10.0
60-64	1	1	2	5.5	6.5
65+	1	-	1	2.7	2.0
TOTAL	24	13	37	100	100

\*Source: Australian Bureau of Statistics Australian Demographic Statistics, 6291.0.55.001 Labour Force Status by hours worked, sex, age, state – employed – total from Feb78. Supertable, South Australia at December 2013.

## LEAVE MANAGEMENT

Leave type: Average days leave per Full Time Equivalent employee	2016-17	2015-16
Sick leave	3.6	4.3
Family carer's leave	1.0	1.8
Miscellaneous special leave	0.1	1.0

## WORKPLACE ADAPTATION - DISABILITY

Disability	Male	Female	Total	% of ForestrySA
Disability requiring workplace adaptation	-	-	-	0
Physical	-	1	1	2.7
Intellectual	-	-	-	0
Sensory	-	-	-	0
Psychological / psychiatric	-	-	-	0

# FURTHER REPORTING ITEMS

## WHISTLEBLOWERS' PROTECTION ACT

Matters of public interest disclosed to Whistleblower	Instances 2016-17
-	0

On no occasion during 2016-17 were matters of public interest disclosed to the ForestrySA Responsible Officer appointed under the *Whistleblowers' Protection Act 1993*.

## FRAUD

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

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

Nature of fraud	Instances detected 2016-17
-	0

No instances of fraud were detected by ForestrySA during 2016-17, as outlined in the *Public Sector Regulations 2010*.

## USE OF CONSULTANTS

Consultant	Purpose	Value
<b>Below \$10,000</b>		
Assist Environmental, Silmetra Limited	Environment risk review, tree growth function development	\$8,000
<b>\$10,000 - \$50,000</b>		
Davis Advisory Pty Ltd	Safety advice	\$25,000
Ernst & Young	Process and system improvement advice	\$46,000
Euan Ferguson Pty Ltd	Fire management consultancy	\$22,000
Leadenhall Corporate Advisory	Strategic business advice	\$35,000
Wendy Tims Consulting Pty Ltd	Strategic business advice	\$12,000
DPTI	Building safety advice	\$22,000
<b>TOTAL</b>		<b>\$170,000</b>

# FURTHER REPORTING ITEMS

## PUBLIC COMPLAINTS RECEIVED BY FORESTRYSA

Whether a forestry operation, forest management plan or a community project, much of our work has an impact on, or is impacted by, the communities in which we operate.

ForestrySA acknowledges and values the positive contribution that community perspectives and expertise make to forest management. We also pride ourselves on engaging effectively with, and minimising the disturbance to, surrounding communities as we go about our daily business and operations.

Please see below a summary of complaints received by ForestrySA during 2016-17:

- Harvesting – dust, noise, other impact (H)
- Operations – fire and land management (Op)
- Recreational facilities and information (RF)
- Recreational forest use (Ru)
- Staff behaviour (Sb)
- Other (O)

Nature of complaint	Category	Number of instances	Corrective action and improvements made
Early morning log truck noise	H	6	Communication with complainants – truck curfews implemented
Debris washed into neighbour's property	H	1	Communication with complainant – ForestrySA to remove debris
Damaged boundary fencing	Op	3	Negotiation regarding fencing repair or replacement
Potentially dangerous damage to trees, caused by mountain bike activity	Op	2	Tree removed and mountain biking damage investigated
Potential impact from smoke taint on grape vines	Op	1	Communication with vineyard managers prior to burning
Rejection of motorbike club event application	Ru	1	In negotiation
Alleged unauthorised firearm use	Op	2	Reported to SAPOL
Kangaroo numbers	Op	5	Control implemented in one area and others referred to Adelaide and Mount Lofty Ranges NRM Board
Overcharge for facility hire	RF	1	Overcharge refunded
Lack of forest weed control	Op	4	Communication with landholders, additional weed control where necessary
Unauthorised 4WD and motorbike access, forest damage	Ru	3	Issue investigated to ensure future compliance
Accommodation facility left in poor condition by previous user	RF	1	Check-in time altered to allow additional cleaning time between bookings

# GLOSSARY

AFAC	Australasian Fire and Emergency Service Authorities Council	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
Australian Forestry Standard (AFS)	The internationally recognised forestry standard (AS 4708) to which ForestrySA is certified in the Green Triangle and Mount Lofty Ranges	Native forest	Forest consisting of native tree and other species that are endemic to South Australia
Biodiversity	Includes genetic diversity, reflecting the diversity within each species (species diversity and the variety of species) and ecosystem diversity (the diversity different communities formed by living organisms and the relationships between them)	Native Forest Reserve	An area of proclaimed Forest Reserve that has been further proclaimed as a Native Forest Reserve under the <i>Forestry Act 1950</i> specifically for the conservation of native flora and fauna
CFS	Country Fire Service	NRM	Natural Resources Management
CSIRO	Commonwealth Scientific and Industrial Research Organisation	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 Regions 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	SAPOL	SA Police
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	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	Watercourse and wetland buffer zone	An area of land designed to protect a wetland or watercourse
Leadership team	ForestrySA's key management personnel	WHS	Work Health and Safety
LiDAR	Light Detection and Ranging. A remote sensing technology adapted by ForestrySA to assess the productivity of forest plantations		



# ForestrySA

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