Sustainable Timber Tasmania

Sustainable by nature.

Annual Report 2017–18

Sustainable Timber Tasmania

Contact us:

General enquiries:
(03) 6169 2800

Sustainable Timber Tasmania
GPO Box 207
Hobart, Tasmania 7001

sttas.com.au
stakeholder@sttas.com.au

ABN 91 628769 359
ISSN 0818 4797

Published October 2018

Front cover photo:
"It is a great day out to see the new forest growing" Jean-Paul Morice, Forest Management Coordinator North East inspecting regrowing forests in the North East highlands.

Annual Report 2017-18 produced internally by staff at Sustainable Timber Tasmania and Digital Ink.

PEFC
PEFC/21-23-01

Responsible Wood
RW/1-21-1

Contents

Sustainability is at the heart of everything we do. It's our long-term future.

Sustainable Timber Tasmania is a Tasmanian Government Business Enterprise responsible for:

- sustainably managing approximately 812,000 hectares of public production forest (Permanent Timber Production Zone land); and
- undertaking forest operations for the production and sale of forest products from these forests.

What we do

Sustainably managing the forest estate

Sustainably supplying timber

Sustainably growing our business

How we do it

Delivering effectively

Building a sustainable, effective and consistent business that is valued by our customers and stakeholders.

Developing capability

Investing in our business and our people, and promoting an educated, skilled and safe contractor workforce with capabilities for the future.

Leading and innovating

Embracing new ideas and realising opportunities, and fostering an innovative culture that supports ongoing development of the Tasmanian forest industry.

Growing value

Investing in strategies and initiatives that grow and realise the full value of the forest estate and the services we provide.

Listening and engaging

Building trust and confidence with our stakeholders and the community through genuine communication, engagement and being a good neighbour.

Our core activities

Land and forest management

Sale of forest products

Fire management

Forestry road construction and maintenance

Our corporate objectives

Achieve and maintain financial sustainability

Efficiently and effectively make available agreed wood volumes and other services to our customers

Professionally manage public production forests to maintain wood resource and other environmental, cultural and economic values

Achieve zero harm to our people and contractors

Report structure and scope

This Annual Report provides a summary of Sustainable Timber Tasmania's performance for the 2017/18 financial year.

It is structured around our sustainability pillars to provide an overview of the activities and management of Permanent Timber Production Zone land by Sustainable Timber Tasmania. The report includes our annual financial results, corporate and governance disclosures and information tables.

The Snapshot table (inside back cover) provides a quick reference to some of this year's key statistics. Further information on our business can be found on our website at www.sttas.com.au including our Forest Management Plan.

From the Chairman & Chief Executive Officer

Sustainable by nature… a broad aspiration and one that is very important for our business. As a land manager and as a provider of renewable forest products from the public production forests, sustainability is at the heart of everything that we do. Our business is very much about long term planning and to that end sustainability is key.

The new organisation is focused on:

- Sustainably managing the forest estate
- Sustainably supplying timber
- Sustainably growing our business

This Annual Report features achievements and highlights from the 2017/18 financial year for each of the sustainability pillars along with our annual financial results and information disclosures.

The foundation for a successful 2017/18 was the completion of the forestry right sale of 29,000 hectares of hardwood plantations to Reliance Forest Fibre. Proceeds from the sale have enabled us to retire debt and build from a stronger balance sheet and cash position.

In the transition to the new business our targeted savings were achieved through restructuring of the business, rental savings and reduced pension payments to previous employees. In addition to these savings, improved pricing and increased product volumes contributed to stronger revenue. These, and other factors, led to a pleasing total comprehensive income result. The 2017/18 result was a step in the right direction towards financial sustainability.

Sustainable Timber Tasmania is an important and significant producer of forest products for the sawmilling and wood processing industry in Tasmania. Total wood production for the year was over 1.5 million tonnes with just over 129,000 cubic metres of high-quality eucalypt sawlogs supplied to our customers. Demand for our products was strong and production targets were largely met.

$0 debt
as at 30 June 2018

$49 million
total comprehensive income

Over 129,000 m^3
of high quality sawlogs

Rob de Fégely
Chairman

300 million
seeds sown

3.65
Lost Time Injury Frequency Rate

Our wood production was only part of the story, with regrowing the forest and sustainably managing our land being important as anything else we do. All of the native forest areas we harvest are regrown for the future. In 2017/18 we planned and established over 6,700 ha for regrowing and sowed millions of seeds.

Production was carefully balanced with the ecology of the forest and the species that depend upon it. A highlight in 2017/18 was the collaboration between our forest and modelling experts with external swift parrot experts. Their combined efforts developed a spatial model to identify swift parrot habitat in the southern public production forests. The outcomes of this work are to be implemented in 2018/19 and will provide greater certainty for wood planning and improve conservation outcomes for the swift parrot.

The business endeavours to achieve zero harm to our people and contractors. It was very pleasing that in 2017/18 that there was only one lost time injury for our staff. Safety for our contractors continues to be a challenge and an area of focus. Any injury is one too many, and the safety of our operations and our people remains our highest priority.

As you open the following pages you will gain an overview into the achievements of Sustainable Timber Tasmania during 2017/18 and an insight into the focus areas that will make the business an ongoing success. Thank you for taking an interest in our sustainable by nature journey.

Steve Whiteley
Chief Executive Officer

Sustainably managing the forest estate

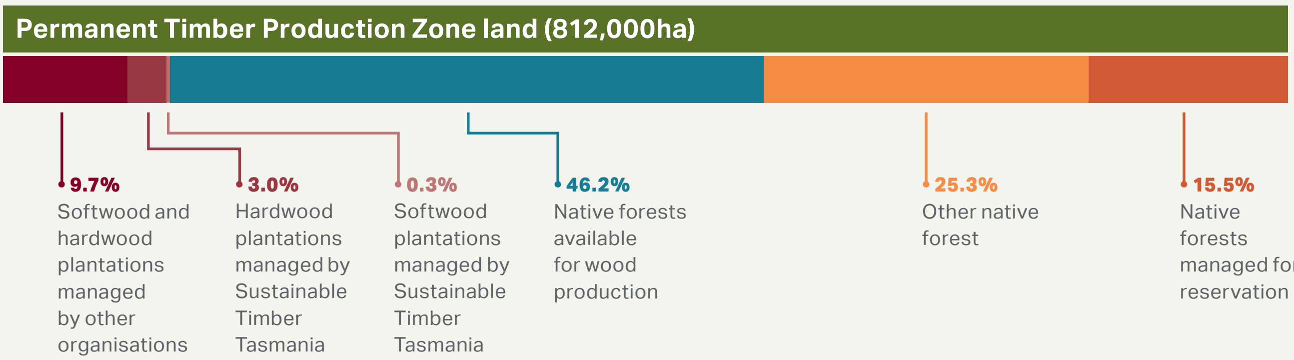
Sustainable Timber Tasmania is responsible for approximately 812,000 hectares of Permanent Timber Production Zone land and manages approximately 9,000 hectares of additional land.

We aim to manage this land on behalf of the people of Tasmania in a responsible and adaptable way, underpinned by sustainable forest management practices as outlined in our Forest Management Plan.

During the year we refined our approach to managing biodiversity values at the landscape scale. This included exploring how the Forest Practices Authority's Biodiversity Landscape Planning Guideline can be applied.

At the individual species level, we have undertaken a major project with a range of stakeholders to identify nesting habitat on our land in the southern forests for the critically endangered swift parrot. The outcomes of this project will be implemented in 2018/19 and will assist in the conservation effort.

We care for the land that we manage and value the multiple of uses that it can sustainably support. Many of these uses require access on our road network of over 10,000 km. In 2017/18 we maintained over 2,800 km of roads for our operations and to provide access to stakeholders for recreational uses, firewood collection, or commercial uses such as honey production.



820,000 ha Land managed by Sustainable Timber Tasmania

improve
forest values

safeguard
air quality

protect
soil and water quality

control
pests and diseases

provide
access

reduce
bushfire risk

protect
biodiversity

maintain the
landscape

increase long-term
carbon storage

preserve
cultural heritage

support
multiple uses

Sustainably managing the forest estate

Certifications

Our certification provided third party assurance that our forests and our operations are managed responsibly to deliver social, environmental and economic benefits now and in the future. Adaptive management is fundamental and something which has been important in maintaining our existing certification and in our journey towards obtaining FSC® forest management certification for our business.

PEFC
PEFC/21-23-01

Responsible Wood
RW/1-21-1

bsi. AS 4708 Sustainable Forest Management

bsi. AS/NZS 4801:2001 Occupational Health and Safety Management

bsi. ISO 14001 Environmental Management

In anticipation of an Australian Standard for FSC® forest management we have been implementing new management regarding high conservation value forests, harvesting practices in old growth forests and working with stakeholders on swift parrot management. We will schedule an audit as soon as possible once the new Australian Standard is in place. Our plantation operations are certified to the FSC® Controlled Wood standard.

Forest Practices

All forest operations must be carried out according to a Forest Practices Plan. These plans are independently audited by the Forest Practices Authority (FPA).

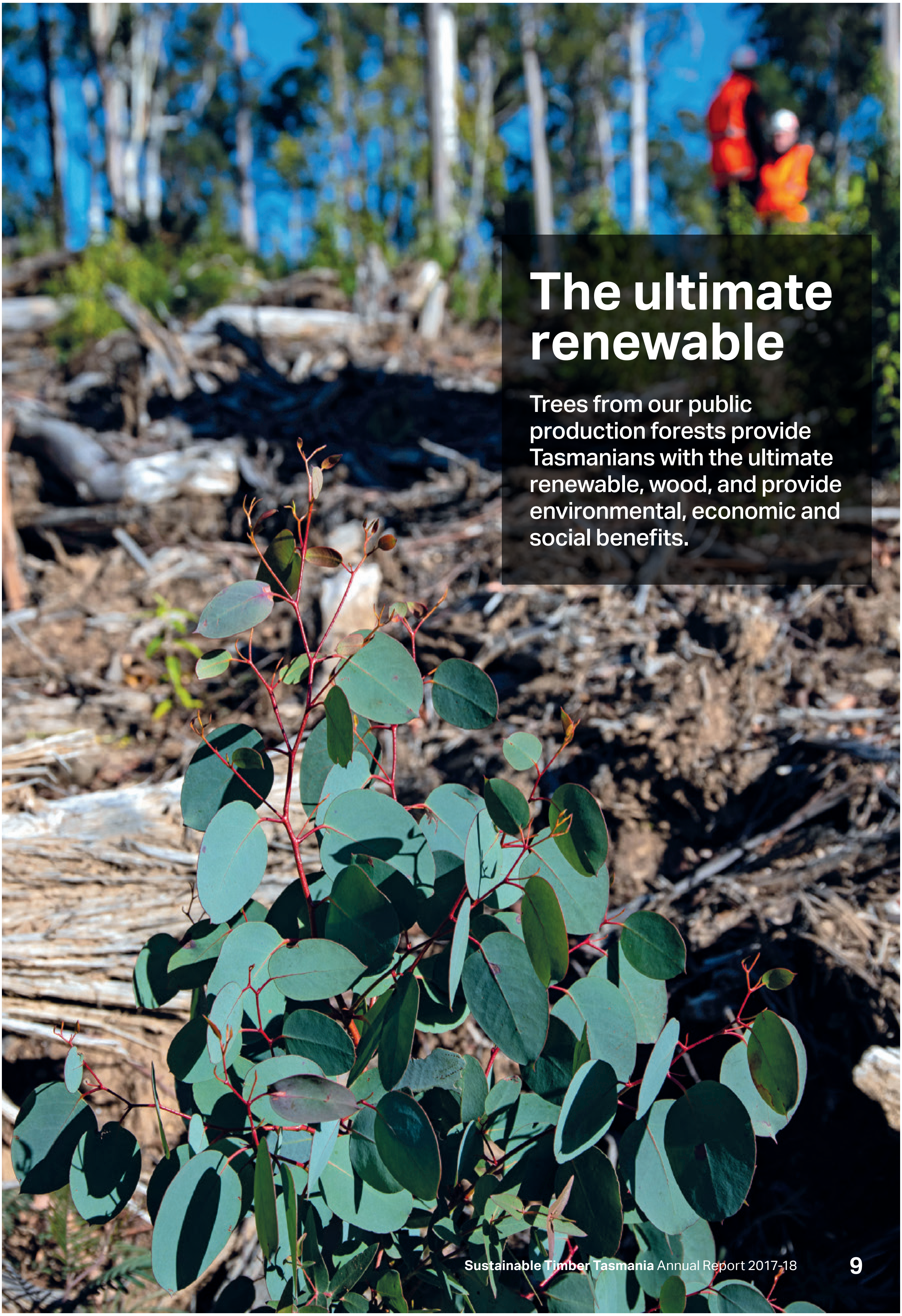
- **Three Year Plan** submitted to FPA and published
- **100% Compliance** with Forest Practices Plan reporting
- **25** Forest Practices Plans audited
- **1360** individual questions
- **Over 96%** achieved highest possible rating

Forest protection and fire management

2,800 ha
of fuel reduction burning during 2017-18

43
bushfires attended

105 staff
trained and available for bushfire control



The ultimate renewable

Trees from our public production forests provide Tasmanians with the ultimate renewable, wood, and provide environmental, economic and social benefits.

Sustainably supplying timber

Growing, nuturing, planning, harvesting, regrowing are all important elements in the cycle of a production forest. A cycle that can be the source of a wide range of renewable forest products.

Regrow

Regrowing the forest is one of the most important things we do. All the native forest areas harvested are regrown as native forest. Great care was taken to apply the correct seed mix and to monitor the young seedlings as they grew.

Young forests are important carbon sinks and the source of our future renewable wood products. Regrowing forests takes a sound understanding of the ecology of the forest and several years of operations and management. In 2017/18:

Over 6,700ha
prepared for regrowing

300 million
seeds sowed

During the early phases, careful monitoring is required to manage the risks and damage associated from browsing, weather and fire, on the regrowing forest. In 2017/18 all our regrowing efforts were successful in establishing forests for future generations.

Forests regrown

Harvest

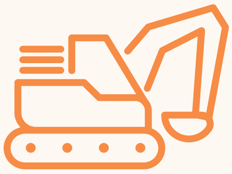
Our contractors take great care and pride in their work to protect important forest values, maximise the value of wood products, and to make sure that they are safe. Our staff support our contractors by identifying, communicating and adapting forest operations to produce good outcomes with the aim of being able to return for a future harvest. In 2017/18 we harvested:

5,727ha
of native forest

Less than 1%
Permanent Timber Production Zone land

Over 70%
of harvests used partial harvesting systems

1,596 ha
of plantation



$48 million
paid to harvest and haulage contractors

Products

We are an important and significant producer of renewable native forest wood products for the sawmilling and wood processing industry in Tasmania. Production included:

Over 1.5 million tonnes
in total of renewable products

Over 129,000m³
of high quality sawlogs

Over 10,000m³
of special species timber

$145 million
of forest product sales

47
Tasmanian businesses supplied

Sustainably growing our business

Our financial sustainability was significantly improved with the sale of 29,000 hectares of hardwood plantations in 2017/18. The sale proceeds enabled us to retire our debts and provides a strong position to grow the business.

Key measures of financial sustainability include Earnings Before Interest, Taxes, Depreciation, Amortisation and Revaluation (EBITDAR) and operating cash flows. Both of these measures are significantly improved over prior years.

We exceeded our targets for these measures as the intended benefits of the restructure to Sustainable Timber Tasmania were largely achieved including:

$4.1 million
Restructure savings

Reduced
pensions liability

Improved
pricing across product range

No
borrowings

Increased
production volumes

In addition, Government revenue increased by $4.3 million to enable Permanent Timber Production Zone land to be managed, accessible and available for multiple use.

Important to financial sustainability is a strong balance sheet. The balance sheet is now much stronger and dominated by the forest estate valuation of $130.8 million.

$49 million
total comprehensive income

$28.5 million
EBITDAR

$12.3 million
Operating Cash Flows

Buying local

75%
of purchases were paid to

700
Tasmanian businesses, totalling over

$110 million

Safety

Our safety culture is very important to us, from our contractors and staff in the field all the way through to the Board. Our strong and improved safety performance is demonstrated by:

1
Lost time injury

3.65
Lost Time Injury Frequency Rate

Record low
cost of all workers compensation claims

In addition, our safety management system certification was renewed following a detailed inspection of our systems and processes by our independent auditors.

We have taken the opportunity presented by office moves to improve the environment and ergonomics for our staff. We have also had a major focus on mental health and well being with a program of awareness training.

14.6
Harvest and haulage contractors lost time injury frequency rate

The number of lost time injuries occurring within our harvest and haulage contractor's workforce remains a concern. We will continue to work with our contractors to improve safety outcomes. For example, we are collaborating with our contractors and the wider industry on a driver accreditation scheme for haulage operators.

People and Culture

To better support the business achieving its corporate objectives, a new People and Culture Team was created with a focus on positive cultural initiatives. This included a focus on:

- shared culture
- dynamic talent management
- sustainable learning and development

The Team worked successfully on the development of a contemporary Enterprise Agreement to support staff. The new Enterprise Agreement was voted in favour of by staff in April and lodged with the Fair Work Commission. At the time of writing, we are awaiting certification by the Fair Work Commission.

Growing opportunities

Our stronger financial position has enabled us to focus more attention to emerging opportunities for the business. We are exploring the opportunities for our business to embrace technological change, maximise the value of the pruned plantation resource, and to capture value for long term sustainable forest management beyond wood products. We are also investing in continuous improvement to deliver enhanced organisational capability, risk and governance, safety, and certification systems.

Our Board

Rob de Fégely (Chairman)

BSc (Forestry), MSC (Forest Business Management), FAICD

Rob de Fégely is a founding Director of Margules Groome Consulting Pty Ltd, a forest and forest industry consulting company based in Australia and New Zealand. Rob is Co-Chair of the Commonwealth Governments' Forest Industry Advisory Council. He is formerly a Non-Executive Director of VicForests and is the National Vice President of the Institute of Foresters of Australia. Rob has worked in the Australian forest industry for 37 years and is a Registered Professional Forester with a Bachelor of Science (Forestry) from the Australian National University and a Master of Science (Forest Business Management) from Aberdeen University in the United Kingdom. Rob is a Fellow of the Australian Institute of Company Directors and the Australian Rural Leadership Program.

Rob is an independent Director of Sustainable Timber Tasmania.

Suzanne Baker

BBus, BFA(Hons), DipFP, AdvDipNat, MFAD, FCPA, FAICD

Suzanne Baker is an experienced Non-Executive Director, Chairperson and Committee Member with extensive Board experience across a range of sectors including Financial Services (Insurance), Health Administration, State and Local Government, Primary Industries, Waste Management and Arts industries. Sue is a qualified accountant with primary expertise in financial management. Sue is a Fellow of CPA Australia, a Fellow of the Australian Institute of Company Directors and holds a Bachelor of Business and Masters in Fine Art and Design.

Sue is an independent Director of Sustainable Timber Tasmania.

Dr Lyndall Bull

BSc, BForSc (Hons), PhD, MIFA, GAICD

Dr Lyndall Bull has extensive global experience in the forest sector, including in strategic management, innovation and product development, market analysis and research management. Lyndall has served on a range of Boards including the CRC for Forestry and was the Chair of the South Australian Forest Industry Development Board. Lyndall currently serves on the Board of Forestry Corporation New South Wales and is the Chair of the Reference Panel for the West Australian Timber Industry Development Plan. Lyndall is the founder and Principal of Lynea Advisory where she provides advice to a range of clients in the primary industry sector regarding new product development, innovation, research management and sustainability. Lyndall has a PhD (focussing on forest product development), a Bachelor of Forest Science (Hons) and a Bachelor of Science from the University of Melbourne.

Lyndall is an independent Director of Sustainable Timber Tasmania.

Professor Mark Hunt

BAppSc (Hons), PhD, MBA, MIFA, GAICD

Professor Mark Hunt is currently the Head of School of Natural Sciences and Professor of Forestry Science at the University of Tasmania, Director of the Australian Research Council Training Centre for Forest Value, and Leader of the University of Tasmania's Timber Infrastructure Taskforce. Mark has over 25 years' experience in research and research management working with state and federal governments and universities mainly in Tasmania and Queensland. His experience has primarily been based in the forestry sector, including domestic and international work in industrial and small-scale contexts. Mark holds a Bachelor of Applied Science (Hon) degree, is a Doctor of Philosophy and also holds an MBA. Mark is a graduate of the Australian Institute of Company Directors and a member of the Institute of Foresters of Australia.

Mark is an independent Director of Sustainable Timber Tasmania.

Dr Christine Mucha

BAgSc (Hons), PhD, DipAgEc, FAICD, CompIEng

Dr Christine Mucha has extensive executive management experience in primary industries and water including over 14 years as CEO in the water industry. Christine holds a Bachelor of Agricultural Science degree, Doctorate of Philosophy, Post graduate diploma in Agricultural Economics and has studied Advanced Management at Insead International School of Business Management, France. Christine is a Fellow of the Australian Institute of Company Directors and Companion of Engineers Australia. Christine's expertise encompasses change management, organisational transition and growth, strategic and operational improvements and stakeholder management. Christine is currently Chair, Wellington Park Management Trust; independent Director of Dial Before You Dig Victoria/Tasmania; and Lifeline Tasmania; and member of Inland Fisheries Advisory Council (Tasmania).

Christine is an independent Director of Sustainable Timber Tasmania.

Kathryn Westwood

BCom, GAICD, FIPA, ASA, MRMIA

Kathryn Westwood is an experienced non-executive Director, Chairperson and Committee member and is currently the Chair and President of RACT Ltd, RACT Holdings Pty Ltd and RACT Pty Ltd, and is an independent Director or RACT Insurance and Blue Line Laundry Inc. Kathryn is a national council member of the Australian Automobile Association. Kathryn is currently Manager Finance of Nyrstar, Hobart and has over 20 years' experience in commercial, finance and risk management roles within forestry, water, metals processing, insurance industries and local government in Tasmania. Kathryn is a Fellow of the Institute of Public Accountants, a Graduate of Australian Institute of Company Directors, a member of Risk Management Institution of Australasia and holds a Bachelor of Commerce.

Kathryn is an independent Director of Sustainable Timber Tasmania.

Board and Committee composition and meeting attendances

As at 30 June 2018, the Board had four Committees in operation:

Finance Audit & Risk Management Committee (FARMC); Environment, Safety and Health Committee (ESH); Remuneration and Board Nomination Committee (RemCo); and Business Development and Innovation Committee (BDI).

Meeting attendances during the year are as follows:

	Board		FARMC		ESH		RemCo		BDI	
E = eligible A = attended	**E**	**A**	**E**	**A**	**E**	**A**	**E**	**A**	**E**	**A**
Mr Rob de Fégely	13	13	-	-	-	1	6	6	5	5
Dr Lyndall Bull	16	16	-	2	4	4	6	6	5	4
Ms Suzanne Baker	16	16	8	8	-	1	6	6	-	-
Prof. Mark Hunt	16	16	-	4	4	4	6	6	5	5
Dr Christine Mucha	16	16	8	8	4	4	6	6	-	-
Bryan Tisher (appointed 1 January 2018 & resigned 28 February 2018)	1	1	1	1	1	1	1	1	-	1
Ms Kathryn Westwood (appointed 1 August 2018)	-	-	-	-	-	-	-	-	-	-

Corporate Governance

Sustainable Timber Tasmania is a Government Business Enterprise with a Board of Directors responsible to the Tasmanian Forestry Minister and the Tasmanian Treasurer for the achievement of Sustainable Timber Tasmania's objectives.

The primary legislation governing Sustainable Timber Tasmania's management and operations are the *Government Business Enterprises Act 1995*, and the *Forest Management Act 2013*.

The Board operates a governance framework that meets the Tasmanian Government Corporate Governance Guidelines and is consistent with the ASX Corporate Governance Principles (3rd edition):

Principle 1: Lay solid foundations for management and oversight

The Board is responsible for Sustainable Timber Tasmania's overall direction, management, operation, performance and corporate governance. The Board has an approved Charter which amongst other things, describes the roles and responsibilities of the Board, Chair, individual Directors, committees and the CEO. The content of the Board Charter meets the recommended content under Principle 1. An Authorisations Policy is in place to formalise delegations from the Board to CEO and management.

The Directors Selection Advisory Panel, convened by the Shareholder Ministers and supported by Sustainable Timber Tasmania, is guided by the Tasmanian Government's *Board Appointments Guidelines and Procedures.* Through its Remuneration and Board Nomination Committee, the Board evaluated the CEO's performance as scheduled in 2017/18 and has reviewed the performance of the General Management Team with the CEO.

Principle 2: Structure the Board to add value

In line with the Tasmanian Government's *Board Appointments Guideline*, directors' terms are generally three years. The CEO is not a member of the Board and the positions of Board Chair and CEO are held by different people. The Board has a Remuneration and Board Nomination Committee (RemCo). More information on the committee is provided under Principle 8. The independence of each Director was assessed against the recommended criteria in Principle 2 during the year and the status of independence is recorded in each Director's biography.

Sustainable Timber Tasmania's Director induction and professional development programs are based on the Tasmanian Government's *Director Induction, Education and Training Guideline.*

Principle 3: Promote ethical and responsible decision-making

The Board Charter commits the Board to acting with the highest ethical standards and directors are expected to model both the spirit and intent of Sustainable Timber Tasmania's Code of Conduct. The content of the Code, combined with that of other charters and policies in place, ensures that Sustainable Timber Tasmania meets the recommended content of ASX Principle 3.

Sustainable Timber Tasmania is also committed to complying with all relevant legislation, lawful directives of shareholders and company policies.

Sustainable Timber Tasmania is subject to the *Right to Information Act 2009* and the *Public Interest Disclosures Act 2002*. An Information Disclosure Policy is published on the organisation's website which describes the policy and procedure for obtaining information in-line with the requirements of both Acts.

Principle 4: Safeguard integrity in financial reporting

The Finance Audit and Risk Management Committee (FA&RMC) comprises 3 members, all of whom are non-executive directors. The Committee Chair is not the Board Chair but is an independent Director. The qualifications, skills and expertise of committee members meet the suggested ASX Corporate Governance Principles' criteria for an audit committee.

The Charter of the Committee is approved by the Board and meets the recommended content for audit committees. The process for approving the annual financial statements includes declarations from the

CEO and General Manager Corporate Services (CFO-equivalent) in relation to the proper maintenance of the financial records and the accurate representation of Sustainable Timber Tasmania's financial performance and position. Reference to these declarations is included in the Board's certification of the financial statements at the end of the Annual Report.

Both internal and external auditors attend committee meetings as necessary and the committee meets with both auditors without management present from time to time throughout the year.

Principle 5: Make timely and balanced disclosure

Under its Charter, one of the Board's key functions is to engage and communicate effectively with shareholders. This has been formalised through a Shareholder Communications Policy which addresses the continuous disclosure of material matters in addition to routine briefings. The Board has processes in place to identify and escalate matters of significance, including those that may affect the value of Sustainable Timber Tasmania or may require shareholders to comment.

Principle 6: Respect the rights of security holders

The *Government Business Enterprises Act 1995* prescribes the rights and powers of shareholders while the Ministerial Charter specifies the shareholders' expectations of the Board and Sustainable Timber Tasmania, and the Statement of Corporate Intent summarises the key performance measures to be achieved each year. Requirements of the Tasmanian Government's *Reporting Guidelines* are incorporated into Sustainable Timber Tasmania's systems and processes to ensure that shareholders are fully informed of financial and operating performance throughout the year.

Principle 7: Recognise and manage risk

Risk management is monitored and overseen by the Finance Audit & Risk Management Committee on behalf of the Board. The Committee's Charter meets the recommended content of Principle 7.

The Committee reviews the risk management framework to ensure it adequately identifies and mitigates actual and emerging risks for Sustainable Timber Tasmania, and reports to the Board on these issues at least annually. The Environment, Safety & Health Committee assists the Board to manage Sustainable Timber Tasmania's environmental, safety and health risks. This Committee works within the approved risk management and compliance frameworks to ensure that these important areas are sufficiently monitored, reviewed and controlled.

Oversight of internal control systems, internal and external audit, and the insurance program also fall within the Finance Audit & Risk Management Committee's responsibilities.

Principle 8: Remunerate fairly and responsibly

The Board has a Remuneration and Board Nominations Committee (RemCo) comprising all non-executive directors and chaired by the Board Chair. RemCo's role is to assist the Board in relation to executive remuneration strategies and policies, and to support both the Board and the Directors Selection Advisory Panel in relation to Board appointments. The content of the Committee's Charter meets the relevant aspects of Principle 8.

Remuneration for Non-Executive Directors is determined directly by shareholders in accordance with the Tasmanian Government Board and Committee Remuneration Framework. Sustainable Timber Tasmania's Executive Remuneration Policy is based on the Tasmanian Government's *Directors and Executive Remuneration Guideline*. The Guideline specifies the permissible components of executive remuneration, incentive programs, links to performance, and reporting and disclosure requirements. RemCo reviews and recommends to the Board all matters related to the CEO's remuneration, including short-term incentives, and the remuneration of the General Management Team.

Statement of Corporate Intent

Targets for 2017-18

The Statement of Corporate Intent sets out the key financial and non-financial performance targets to be met by Sustainable Timber Tasmania in 2017-18. The targets are agreed with Sustainable Timber Tasmania's shareholders. The 2017/18 results compared to targets are presented in the following table.

Financial and Non-Financial Performance Targets

	Target 2017-18	Result 2017-18	Comment
EBITDAR[1] ($ million)	2.2	28.5	Exceeded target, includes a non-cash gain of $17.891 million
Net cash flow from operations ($ million)	6.4	12.3	Exceeded target. Intended benefits from restructure largely achieved including improved prices and volumes from production
High quality eucalypt sawlogs (cubic metres)	122,166	129,403	Exceeded target. Result of buoyant market with strong demand for product
Special species sawlogs (cubic metres)	8,400	10,233	Exceeded target. Favourable conditions for blackwood harvesting and strong customer demand. Includes 43.1 cubic metres of craftwood and other products
Native forest regenerated (hectares)	5,400	6,752	Exceeded target due to favourable conditions for operations
Thinning of plantations for future sawlog production (hectares)	2,400	1,507	Target not met. Output was limited by contractor production particularly in the south
Forestry road construction to deliver customer commitments (kilometres)	Up to 50	34.9	Met required needs
Forestry road maintenance to deliver customer requirements, plus non-commercial maintenance to provide continued public access (kilometres)	Up to 4,000	2,831	Met required needs
Contribution to State fuel reduction burning (hectares)	Achieve annually agreed level [2]	2,800	Met target
Contribution to State prevention, preparation and detection of bushfires (percentage of employees trained and available)	≥ 70% of STT staff	70%	Met target
Supervision and conduct of bushfire suppression on non-production land (hours contributed)	As required in response to bushfires[3]	8,782	Target met, hours contributed to State bushfire fighting effort
Maintain certification against the Australian Standard for Sustainable Forest Management [4]	Maintain	Maintained	Met target

	Target 2017-18	Result 2017-18	Comment
Achieve and maintain Forest Stewardship Council Forest Management certification for native forests	Progress towards FSC® Forest Management Certification for native forests	Progressed	Target met, audit to be scheduled in 2019
Lost time injury frequency rate – employees	≤10	3.65	Met target
Lost time injury frequency rate – contractors	≤10	14.59	Target not met, we will continue to work with our contractors to improve safety outcomes

1 *Earnings before interest, taxation, depreciation, amortisation and asset/liability revaluation.*
2 *The number and location of hectares to be burned is determined each year in consultation with the State Government's Fuel Reduction Unit.*
3 *This is dependent on the number and severity of bushfires that occur in any given season.*
4. *Previously the Australian Forestry Standard also known as Responsible Wood certification.*

2 October 2018

The Hon Guy Barnett
Minister for Resources
Level 5 Parliament Square
4 Salamanca Place
Hobart 7000

Statement of Compliance

Dear Minister,

In accordance with section 55 of the *Government Business Enterprise Act 1995*, we hereby submit for you information and presentation to Parliament, the Annual Report of Sustainable Timber Tasmania for the year ended 30 June 2018.

The Report has been prepared in accordance with the provisions of the *Government Business Enterprise Act 1995*.

Yours faithfully

Rob de Fégely
Chairman
Board of Sustainable Timber Tasmania

Steve Whiteley
Chief Executive Officer
Sustainable Timber Tasmania

Sustainable Timber Tasmania

Financial Statements

2017-18

Contents

Directors' Report

The Directors present their report for Forestry Tasmania trading as Sustainable Timber Tasmania (hereafter referred to as the Organisation) for the financial year ended 30 June 2018. The Directors' report should be read in conjunction with the audited Financial Statements.

Directors

The Directors of the Organisation at any time during or since the end of the financial year are:

Board members	Position	Start Term	End Term
Rob de Fégely	Chairman	1 June 2016	
Dr. Christine Mucha	Director	29 April 2013	
Suzanne Baker	Director	15 December 2015	
Prof. Mark Hunt	Director	22 December 2015	
Dr. Lyndall Bull	Director	22 December 2015	
Bryan Tisher	Director	1 January 2018	28 February 2018
Kathryn Westwood	Director	1 August 2018	

In order to apply good governance principles, Mr R de Fégely abstained from attending Director meetings on 9 June 2017 and resumed attendance on 31 August 2017 during the plantation sale process. Ms S Baker acted in the position of Chairperson during this period.

Principal Activities

The Organisation's principal purpose is to manage and control all Permanent Timber Production Zone land and to undertake forest operations on Permanent Timber Production Zone land for the purpose of selling forest products.

Results

The Organisation recorded a net profit after tax of $49.008 million for the financial year ended 30 June 2018 – an improvement of $73.081 million when compared to the net loss of $24.073 million for the financial year ended 30 June 2017.

The significant improvement results from the increase in the value of Biological assets, the actuarial gain on remeasurement of defined benefits liabilities and an overall improvement in financial performance.

During the year, the Organisation completed the sale of circa 29,000 ha of Hardwood Plantations to Reliance Forest Fibre. The Plantation sale yielded net proceeds of $60.7 million. The Organisation used part of the proceeds to repay borrowings.

Going Concern Basis for the Preparation of the Annual Financial Statements

The Board has resolved that it is appropriate to prepare the financial statements on a Going Concern basis.

Director and Executive Remuneration

The Organisation has complied with the *Guidelines for Tasmanian Government Businesses – Director and Executive Remuneration*.

Dividends

No dividend was paid during the 2017/18 financial year in relation to 2016/17 results. The Organisation does not propose a dividend in respect to the 2017/2018 financial year. The Organisation has consulted with the Portfolio Minister and the Treasurer in relation to the payment of a Special Dividend under Section 86 of the *Government Business Enterprise Act 1995*.

Events subsequent to balance date

Ms K Westwood was appointed as a non-executive Director of the Organisation effective from 1 August 2018.

Indemnification and Insurance of Officers

The Organisation has paid insurance premiums in respect of Directors' and Officers' liability. The terms of the insurance policy prohibit disclosure of the total amount of the premiums and the nature of the liabilities covered.

Dated at Hobart, this 10th day of August 2018

Signed in accordance with a resolution of Directors:

Rob de Fégely	**Suzanne Baker**
Director	Director

Statement of Comprehensive Income

Sustainable Timber Tasmania
For the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Revenue			
Revenue from forest sales	B1(a)	**144,862**	121,536
Government funding	B1(c)	**16,179**	11,788
Gain on sale of assets	B1(h)	**-**	675
Other income	B1(b)	**23,073**	4,748
Finance income	B1(g)	**1,015**	320
Movement in obligations for non-commercial zones	C1	**-**	8,000
Biological asset valuation increment	C1	**26,624**	-
Total revenue		**211,753**	147,067
Expenses			
Expense from operations	B1(d),(e),(f)	**(160,019)**	(148,212)
Finance expense	B1(g)	**(1,236)**	(4,731)
Loss on sale of assets	B1(h)	**(35)**	-
Biological asset valuation decrement	C1	**-**	(47,597)
Total expenses		**(161,290)**	(200,540)
Net profit/(loss) before tax		**50,463**	(53,473)
Income tax (expense)/benefit on net profit / (loss)	B2	**(2,727)**	10,840
Net profit/(loss) after tax		**47,736**	(42,633)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Increase/(decrease) in the revaluation of land and buildings	D3	**13**	316
Gain/(loss) on remeasurement of defined benefit liability	E4	**1,805**	26,198
Income tax on revaluation of land and buildings	B2	**(4)**	(95)
Income tax on remeasurement of defined benefit liability	B2	**(542)**	(7,859)
Total items that will not be reclassified to profit or loss		**1,273**	**18,560**
Total comprehensive income/(expense) for the year attributable to the equity holders of the parent		**49,008**	(24,073)

The Statement of Comprehensive Income is to be read in conjunction with the accompanying notes to the financial report.

Statement of Financial Position

Sustainable Timber Tasmania
As at 30 June 2018

	Note	2018 $'000	2017 $'000
Current Assets			
Cash and cash equivalents	B4(a)	**45,359**	3,710
Trade and other receivables	D1	**12,578**	11,999
Inventories	D2	**7,974**	9,017
Biological assets	C1	**7,583**	4,569
Total Current Assets		**73,494**	29,295
Non Current Assets			
Trade and other receivables	D1	**1,551**	2,216
Biological assets	C1	**123,217**	156,631
Property, plant and equipment	D3	**13,668**	14,045
Other investments	D4	**5**	5
Deferred tax asset	B2	**-**	-
Total Non Current Assets		**138,441**	172,897
Total Assets		**211,935**	202,192
Current Liabilities			
Trade and other payables	D5	**7,846**	9,520
Revenue received in advance	D6	**3,240**	5,832
Interest bearing liabilities	D7	**-**	29,800
Re-establishment provision	C2	**2,074**	1,830
Employee benefits	E2	**3,087**	3,139
Total Current Liabilities		**16,247**	50,121
Non Current Liabilities			
Revenue received in advance	D6	**6,452**	15,306
Re-establishment provision	C2	**4,183**	3,985
Employee benefits	E3	**20,126**	20,211
Deferred tax liability	B2	**3,350**	-
Total Non Current Liabilities		**34,111**	39,502
Total Liabilities		**50,358**	89,623
Net Assets		**161,577**	112,569
Equity			
Contributed equity		**386,568**	386,568
Reserves		**6,206**	6,230
Retained earnings / (Accumulated losses)		**(231,197)**	(280,229)
Total Equity		**161,577**	112,569

The Statement of Financial Position is to be read in conjunction with the accompanying notes to the financial report.

Statement of Cash Flows

Sustainable Timber Tasmania
For the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Inflows:			
Cash receipts from customers		**154,943**	136,680
Government funding		**16,179**	14,213
Interest received		**1,015**	320
Outflows:			
Payments to suppliers		**(145,442)**	(137,688)
Employee costs		**(13,328)**	(16,727)
Redundancy payments		**(372)**	(1,490)
RBF annuity payments		**-**	(2,547)
RBF lump sum payments		**(312)**	(739)
Borrowing costs paid		**(366)**	(540)
Net cash provided by / (used in) operating activities	B4(b)	**12,317**	(8,518)
Cash flows from investing activities			
Inflows:			
Proceeds from plantation sales		**62,357**	-
Proceeds from sale of property, plant and equipment		**305**	822
Government funding		**-**	375
Outflows:			
Payments to suppliers and employees for biological assets		**(2,810)**	(5,705)
Payments to acquire non-controlling interest		**-**	(2,309)
Payments for property, plant and equipment and other assets		**(720)**	(1,109)
Net cash provided by / (used in) investing activities		**59,132**	(7,926)
Cash flows from financing activities			
Outflows:			
(Repayment of) / proceeds from borrowings		**(29,800)**	15,400
Net cash provided by / (used in) financing activities		**(29,800)**	15,400
Net increase/(decrease) in cash and cash equivalents held		**41,649**	(1,044)
Cash and cash equivalents at the beginning of the year		**3,710**	4,754
Cash and cash equivalents at the end of the year	B4(a)	**45,359**	3,710

The Statement of Cash Flows is to be read in conjunction with the accompanying notes to the financial report.

Statements of Changes In Equity

Sustainable Timber Tasmania
For the year ended 30 June 2018

	Contributed Equity $'000	Property & General Revaluation Reserve $'000	Retained Earnings / (Accumulated losses) $'000	Total Equity $'000
Balance at 30 June 2016	276,306	6,009	(255,935)	26,380
Total comprehensive income for the year				
Profit or loss	-	-	(42,633)	(42,633)
Other comprehensive income				
Increase/(decrease) in the revaluation of land and buildings	-	221	-	221
Transfer of revaluation increments on disposal of asset	-	-	-	-
Remeasurement defined benefit superannuation liability	-	-	18,339	18,339
Transfer to retained earnings	-	-	-	-
Total other comprehensive income	-	221	18,339	18,560
Total comprehensive income for the year	-	221	(24,294)	(24,073)
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Equity contribution[1]	113,028	-	-	113,028
Tax effect on equity contribution	(2,766)	-	-	(2,766)
Dividends to equity holders	-	-	-	-
Total contributions by and distributions to owners	110,262	-	-	110,262
Total transactions with owners	110,262	-	-	110,262
Balance at 30 June 2017	386,568	6,230	(280,229)	112,569
Balance at 30 June 2017	**386,568**	**6,230**	**(280,229)**	**112,569**
Total comprehensive income for the year				
Profit or (loss)	**-**	**-**	**47,736**	**47,736**
Other comprehensive income				**-**
Increase/(decrease) in the revaluation of land and buildings	**-**	**9**	**-**	**9**
Remeasurement defined benefit superannuation liability	**-**	**-**	**1,264**	**1,264**
Transfer to retained earnings	**-**	**-**	**-**	**-**
Total other comprehensive income	**-**	**9**	**1,264**	**1,273**
Total comprehensive income for the year	**-**	**9**	**48,999**	**49,008**
Transfer of revaluation increments on disposal of asset	**-**	**(33)**	**33**	**-**
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Equity contribution	**-**	**-**	**-**	**-**
Tax effect on equity contribution	**-**	**-**	**-**	**-**
Dividends to equity holders	**-**	**-**	**-**	**-**
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**
Total transactions with owners	**-**	**(24)**	**49,032**	**49,008**
Balance at 30 June 2018	**386,568**	**6,206**	**(231,197)**	**161,577**

1 *Equity contribution to repay debt.*

The Statements of Changes in Equity are to be read in conjunction with the accompanying notes to the financial report.

Section A: Corporate Information and Basis for Preparation

Sustainable Timber Tasmania
For the year ended 30 June 2018

A1 Details of reporting entity

The financial statements and notes thereto relate to Sustainable Timber Tasmania (the "Organisation") which is a state-owned government business enterprise.

The Organisation's principal purpose is to manage and control all Permanent Timber Production Zone land and to undertake forest operations on Permanent Timber Production Zone land for the purpose of selling forest products. The Organisation's Head Office is located at 99 Bathurst Street, Hobart, Tasmania. The Organisation also has regional offices throughout Tasmania.

The accounting policies set out below, unless specifically noted otherwise in individual notes, have been applied consistently to all periods presented in these financial statements.

A2 Statement of compliance

The financial report is a general purpose financial report that has been prepared on a going concern basis in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), the *Government Business Enterprises Act 1995* (GBE Act) and applicable Treasurer's Instructions.

The financial statements of Sustainable Timber Tasmania for the year ended 30 June 2018 were authorised for issue by the Board of Directors on 9 August 2018.

A3 Basis of preparation

The financial statements are prepared on the historical cost basis except for the following:

- Biological assets are measured at fair value less costs to sell in note C1;
- Investments disclosed in note F1;
- Superannuation liabilities are based on the projected unit credit method in note E1

These financial statements are presented in Australian dollars, which is the functional currency of the Organisation. All values are rounded to the nearest thousand unless otherwise stated.

A4 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Section A: Corporate Information and Basis for Preparation (continued)

A5 New standards not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Organisation in the period of initial application:

AASB 9 'Financial Instruments' - The final version of AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement. The latest version adds a new expected impairment model and limited amendments to classification and measurement of financial assets. The impacts of these amendments, which become mandatory for the Organisation's 30 June 2019 financial statements, are not expected to have a material impact.

AASB 16 'Leases' will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. The impact of these amendments, which become mandatory for the Organisation's 30 June 2019 financial statements, has not yet been determined.

AASB 15 'Revenue from contracts with customers': This standard replaces AASB 118 Revenue. The standard requires revenue to be recognised in line with contractual agreements. The standard would become mandatory for the Organisation's 30 June 2019 financial statements. The Organisation's current practice goes some way in meeting the new requirements under AASB 15, however the introduction of this standard will see a significant increase in disclosure requirements. The impact of the new standard is being reviewed.

The Organisation intends to adopt these standards in the first financial reporting period to which each standard is first applicable to. The extent of impact, if any that the initial implementation of the Standards will have on the financial statements has yet to be determined.

Section B: Details on Financial Performance

Sustainable Timber Tasmania
For the year ended 30 June 2018

B1 Operating Profit

B1(a) Revenue from forest sales

Accounting policy

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. The point at which revenue is recognised for products is deemed to be either when the timber is loaded at the landing or delivered to the mill door. Revenue for products sold 'Free on Board' (FOB) is recognised when the ship departs port. Revenue for products sold 'Cost and Freight' (CRF) is recognised when the goods reach the destination port.

	2018 $'000	2017 $'000
Revenue from the sale of goods		
Revenue from forest sales	**144,862**	121,536
	144,862	121,536

B1(b) Other income

Accounting policy

Revenue from forest management services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed at reporting date.

Government grants related to expense items that are conditional are recognised as income over the periods necessary to match a grant on a symmetrical basis to the costs that it is intended to compensate. When a grant relates to an asset (other than biological asset), the value of the grant is deducted from the carrying amount of the asset. The grant is recognised in profit and loss over the life of the depreciable asset as a reduced depreciation expense. When a grant relates to a biological asset, the income is recognised in the profit and loss as the conditions attached to the grant are met.

The proceeds received for the allocation of forestry rights are recognised in the period the proceeds are earned.

The Organisation has performed its obligations under the TCFA and there is no further qualifying expenditure to further reduce the liability. The Organisation has received legal advice confirming that there is no requirement to return any remaining funds. The Organisation de-recognised the liability on 30 April 2018 resulting in a gain on de-recognition of revenue received in advance of $17.891 million.

Increments or decrements in the valuation of the biological asset are recognised as revenues or expenses in the financial year in which they occur. The net increment or decrement in total valuation is determined as the difference between the valuation at the beginning of the year and at the end of the year.

Section B: Details on Financial Performance (continued)

B1(b) Other income (continued)

	2018 $'000	2017 $'000
Forest management services income	**560**	624
Grants	**-**	136
Nursery and seed sales	**188**	164
Tourism revenue	**-**	702
Leases and licences	**972**	761
Consulting income	**217**	516
De-recognition of revenue received in advance liability	**17,891**	-
Recognition of deferred income from forestry rights	**48**	-
Other revenue	**3,197**	1,845
	23,073	4,748

B1(c) Government funding

Accounting policy

Government funding is provided to enable the Organisation to perform its community service obligations including fire preparedness activities.

	2018 $'000	2017 $'000
Tasmanian Forest Agreement implementation funding representing costs incurred to date	**-**	4,000
Community Service Obligations	**12,179**	3,788
Fuel reduction	**2,000**	2,000
Fire preparedness	**2,000**	2,000
Total Government funding	**16,179**	11,788

The State has provided $2 million to cover costs incurred in reducing fire fuel and $2 million toward the cost of ensuring the Organisation maintains a high level of fire fighting capacity.

Section B: Details on Financial Performance (continued)

B1(d) Expenses from operations

	2018 $'000	2017 $'000
Contractor and freight expenses	**124,758**	106,462
Fire fighting contractor expenses	**1,326**	444
Vehicle lease and associated costs	**1,390**	1,735
Property rental	**694**	2,660
Professional services	**1,885**	1,898
Consultancies	**416**	578
Local government rates	**1,497**	1,682
Property management	**991**	3,026
Equipment purchases and rentals	**1,250**	697
Office expenses	**787**	749
Information technology expense	**791**	692
Guarantee fees	**96**	433
Travel and accommodation	**200**	238
Operating lease rentals	**238**	309
Impairment of receivables	**911**	264
Impairment of non-current asset	**97**	(2)
Other	**2,451**	2,604
	139,778	124,469

The Organisation's move to Sustainable Timber Tasmania generated transition costs of $0.890 million (2017: $3.391 million). The transition costs are included in expenses from operations with the primary costs incurred categorised as equipment purchases and rentals, property management, professional services and other expenses.

B1(e) Depreciation and amortisation expense

	Note	2018 $'000	2017 $'000
Plant and equipment	D3	**314**	246
Roads and road structures	C1	**3,976**	4,948
Buildings and leasehold improvements	D3	**359**	366
		4,649	5,560

B1(f) Employee benefits expense[1]

	Note	2018 $'000	2017 $'000
Salaries and wages		**12,942**	13,415
Redundancy[2]		**32**	1,662
Other employment related expenses		**178**	226
Contribution to accumulation superannuation funds		**1,263**	1,266
Employee service cost for defined benefit scheme	E1	**1,177**	1,614
		15,592	18,183
		160,019	148,212

1 *Employee benefits expense includes cash expenses of $12.371 million (2017: $16.727 million) and non-cash expenses of $3.221 million (2017:$ 1.456 million) recognised in Comprehensive income. Non-cash expenses include movements in Employee Benefits liabilities and Fringe Benefits Tax.*

2 *The redundancy program was initiated in May 2017. A total of 30 positions were made redundant as part of the organisation restructure. The total redundancy cost was $1.662 million. One additional position was made redundant in 2017/2018 at a cost of $0.032 million.*

Section B: Details on Financial Performance (continued)

B1(g) Finance income and expense

Accounting policy

Finance income comprises interest income on funds invested, dividend income and gains on hedging instruments that are recognised in profit or loss. Finance income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Organisation's right to receive payment is established.

Finance expense comprises interest expense on borrowings, impairment losses recognised on financial assets, interest cost associated with the superannuation liability and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method, unless they relate to a qualifying asset, in which case they are capitalised.

	2018 $'000	2017 $'000
Recognised in profit or loss:		
Interest income	**1,015**	320
Total Finance income	**1,015**	320
Borrowing costs	**(114)**	(540)
Foreign exchange losses	**(252)**	(8)
Employee benefit superannuation interest costs	**(870)**	(4,183)
Total Finance expense	**(1,236)**	(4,731)
B1(h) (Gain)/loss on sale of assets	**35**	(675)
	35	(675)
Reconciliation of sale of assets		
Asset cost	**1,085**	993
Written down value	**340**	147
Proceeds from sale	**(305)**	(822)
(Gain)/loss on sale of assets	**35**	(675)

B2 Taxation

Accounting policy

Income tax expense/(benefit) includes current and deferred tax. Income tax expense/(benefit) is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. The charge for current income tax expense is based on the profit/(loss) for the year adjusted for any non-assessable or non-deductible items or any adjustment to tax payable in respect to previous years. It is calculated using the tax rates that have been enacted or are substantively enacted by legislation at the balance date.

Deferred tax is calculated using the balance sheet liability method in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the profit and loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Section B: Details on Financial Performance (continued)

B2(a) Current tax (expense)/benefit

	2018 $'000	2017 $'000
Current income tax relating to prior years	**(130)**	1
Current income tax expense/(benefit)	**(25,636)**	-
Increase/(decrease) in deferred tax asset	**13,851**	(11,402)
(Increase)/decrease in deferred tax liability	**8,643**	14,287
Movement posted direct to other comprehensive income	**546**	7,954
Movement posted direct to equity reserve	**-**	-
	(2,727)	10,840

Tax expense to pre tax net loss is reconciled below.

B2(b) Reconciliation between tax (expense)/benefit and pre tax net profit/(loss)

	2018 $'000	2017 $'000
Profit / (loss) before tax	**50,463**	(53,473)
Income tax (expense) / benefit using the domestic tax rate of 30% (2017:30%)	**(15,139)**	16,042
Expenditure not allowable for income tax purposes	**(2)**	(3)
Derecognition of net deferred tax asset of the Tax Consolidated Group	**-**	(5,199)
Recognition of net deferred tax asset from prior year	**5,199**	-
Recognition of Roads deferred tax asset previously derecognised	**7,345**	-
Add prior year under / over provision	**(130)**	-
Income tax (expense)/benefit on pre tax net profit	**(2,727)**	10,840

B2(c) Deferred tax balances

	2018 $'000	2017 $'000
Assets		
Non current	**32,597**	44,589
Liabilities		
Non current	**(35,947)**	(44,589)
Net deferred tax asset/(liability)	**(3,350)**	-

Section B: Details on Financial Performance (continued)

B2(d) Reconciliation of deferred tax balances ($000)

2018	Opening balance $'000	Under/ Over $'000	Charged to Statement of Comprehensive Income $'000	Transferred from subsidiary $'000	Charged to equity $'000	Closing balance $'000
Deferred tax assets						
Employee benefits	7,003	-	483	-	(542)	6,945
Other	3,817	-	2,090	-	-	5,907
Property, plant, equipment and land	5,447	-	6,624	-	(4)	12,067
Deferred tax losses	33,521	(129)	(25,714)	-	-	7,678
Derecognition of net deferred tax assets	(5,199)	-	5,199	-	-	-
Transfer - deferred tax liability	(44,589)	-	-	-	-	(32,597)
Total	-	(129)	(11,318)	-	(546)	-
Deferred tax liabilities						
Biological assets	(43,120)	-	8,641	-	-	(34,479)
Inventories	(1,450)	-	(18)	-	-	(1,468)
Other	(19)	-	19	-	-	-
Transfer - deferred tax asset	44,589	-		-	-	32,597
Total	-	-	8,642	-	-	(3,350)
Net deferred tax assets/(liabilities)	-	(129)	(2,676)	-	(546)	(3,350)

2017	Opening balance $'000	Under/ Over $'000	Charged to Statement of Comprehensive Income $'000	Transferred from subsidiary $'000	Charged to equity $'000	Closing balance $'000
Deferred tax assets						
Employee benefits	48,524	-	246	-	(41,767)	7,003
Revenue received in advance	(1)	-	975	-	-	975
Receivables and other investments	833	-	33	-	-	866
Other provisions	2,330	-	(354)	-	-	1,976
Obligations for non-commercial zones	2,400	-	(2,400)	-	-	0
Property, plant, equipment and land	11,675	-	(6,133)	-	(95)	5,447
Superannuation investment	152	-	(152)	-		0
Revenue losses	24,104	1	9,536	(120)	-	33,521
Derecognition of net deferred tax assets	(31,143)	-	(5,199)		31,143	(5,199)
Transfer - deferred tax asset	(58,875)	-	-	-	-	(44,589)
Total	-	1	(3,448)	(120)	(10,719)	-
Deferred tax liabilities						
Biological assets	(57,232)	-	14,111	-	-	(43,121)
Inventories	(1,644)	-	194	-	-	(1,450)
Property, plant, equipment and land	-	-	-	-	-	-
Transfer - deferred tax asset	48,078	-	-	-	-	44,589
Total		-	14,286	-	-	-
Net deferred tax assets/(liabilities)	-	1	10,838	(120)	(10,719)	-

Section B: Details on Financial Performance (continued)

B3 Dividends

Accounting policy

The Organisation may declare a dividend in accordance with its statutory requirements as determined under Part II, Division 2 of the Government Business Enterprises Act (1995).

No dividend was paid during the 2017/18 financial year in relation to 2016/17 results. The Organisation does not propose a dividend in respect to the 2017/2018 financial year. The Organisation has consulted with the Portfolio Minister and the Treasurer in relation to the payment of a Special Dividend under Section 86 of the *Government Business Enterprise Act 1995*.

B4 Cash and cash equivalents

Accounting policy

Cash and cash equivalents are classified as available-for-sale financial assets and measured at fair value subsequent to initial recognition, which is the face value of the cash. Cash and cash equivalents comprise cash at bank, cash on hand and short term deposits with an original maturity date of twelve months or less. Bank overdrafts that are repayable on demand and form an integral part of the Organisation's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

B4(a) Reconciliation of cash and cash equivalents

	2018 $'000	2017 $'000
For the purposes of the Cash flow statement, cash and cash equivalents comprise the following as at 30 June:		
Cash at bank	**2,450**	3,678
Short term deposits	**42,901**	-
Floats and advances	**8**	32
	45,359	3,710

B4(b) Reconciliation of comprehensive income/(expense) after tax to net cash flows from operations

	2018 $'000	2017 $'000
Net profit/(loss) after tax	**47,736**	(42,633)
Add/(less) items classified as investing/financing activities:		
(Profit)/loss on disposal of non current assets	**35**	(675)
Add/(less) non-cash items:		
Depreciation and amortisation	**4,649**	5,560
Income tax	**-**	(10,840)
Biological asset valuation increment /(decrement)	**(26,624)**	39,597
Impairment of trade receivables	**910**	-
Impairment of property, plant and equipment	**97**	-
Derecognition of revenue received in advance	**(17,939)**	(2)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	**(824)**	(482)
(Increase)/decrease in inventories	**1,043**	(348)
Increase/(decrease) in trade and other payables	**(1,677)**	1,305
Increase/(decrease) in employee benefits	**2,450**	-
Increase/(decrease) in deferred tax liabilities	**2,026**	-
Increase/(decrease in provisions	**442**	-
Increase/(decrease) in revenue received in advance	**(7)**	-
Net cash provided by operating activities	**12,317**	(8,518)

Section B: Details on Financial Performance (continued)

B4(c) Reconciliation of liabilities arising from financing activities

Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Statement of Cash Flows as cash flows from financing activities.

Reconciliation of liabilities arising from financing activities ($000)

	Borrowings	Total
Carrying amount as at 1 July 2016	**14,400**	14,400
Changes from financing cash flows:		
Cash Received	**57,258**	57,258
Cash Repayments	**(41,858)**	(41,858)
Balance as at 30 June 2017	**29,800**	29,800
Carrying amount as at 1 July 2017	**29,800**	29,800
Changes from financing cash flows:		
Cash Received	**15,800**	15,800
Cash Repayments	**(45,600)**	(45,600)
Balance as at 30 June 2018	**-**	-

Section C: The Forest Estate

Sustainable Timber Tasmania
For the year ended 30 June 2018

C1 Biological Assets

Accounting policy

The forest estate is valued as a whole incorporating standing timber, land and roads.

The forest estate value is measured at fair value less costs to sell, with any changes in value recognised in the Statement of Comprehensive Income under 'biological asset valuation increment/ (decrement)'. Rights to plantations at harvest date pursuant to Tree Farm Agreements are valued using the same methodology.

The Organisation has recognised a provision equivalent to the expected costs of re-establishment to recognise its obligation to re-establish harvested coupes. The provision is calculated based on the harvested area and relevant treatment costs. The provision results in the creation of a separate make good asset identified under biological assets. The value of the make good asset is treated as a reallocation between the forest and the make good asset.

The carrying value of roads is determined using a future income model approach. Roads form part of the biological asset. As such, any decrease in road value is reclassified as an increase in forest estate value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each road. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The estimated useful life for the current and comparative periods for roads and road structures ranges between 1 and 20 years.

The Organisation has exclusive management rights over Permanent Timber Production Zone (PTPZ) land including special timber zones. The forest estate value reflects the quantities available for harvest under the Forest Management Act 2013.

The Organisation does not hold freehold title over the majority of PTPZ but is deemed to control the land pursuant to the Forest Management Act 2013. *Any value attributed to land is therefore discounted to a nil value.*

The discounted cash flow approach is applied to estimate the enterprise value and obligations of the forest estate, roads and land. The discounted cash flow approach involves applying a discounted cash flow analysis to estimate the net annual income derived from the forest estate in each year of the projected holding period of the asset. A market derived discount rate of 8.75% (2017: 8.75%) is then used to discount the net annual income to determine a present value of the existing forest crop in accordance with the requirements of AASB 141 Agriculture to value the biological assets.

	2018 $'000	**2017 $'000**
Current		
Standing timber at valuation	**7,583**	4,569
Non current		
Standing timber at valuation	**111,238**	143,500
Roads and road structures	**5,722**	7,316
Re-establishment make good assets	**6,257**	5,815
	123,217	156,631
	130,800	161,200

Section C: The Forest Estate (continued)

Reconciliation of biological assets ($000)

	Forest	Make Good	Roads	Total
Carrying amount as at 1 July 2016	194,083	5,100	8,517	207,700
Additions	1,363	715	2,733	4,811
Reallocation	(8,000)	-	-	(8,000)
Net movement work in progress	-	-	1,234	1,234
Depreciation	-	-	(4,948)	(4,948)
Reclassification	220	-	(220)	-
Revaluation	(39,597)	-	-	(39,597)
Carrying amount as at 30 June 2017	148,069	5,815	7,316	161,200
Carrying amount as at 1 July 2017	**148,069**	**5,815**	**7,316**	**161,200**
Additions	**49**	**442**	**3,424**	**3,915**
Disposals	**(55,857)**	**-**	**-**	**(55,857)**
Net movement work in progress	**-**	**-**	**(1,041)**	**(1,041)**
Depreciation	**-**	**-**	**(3,977)**	**(3,977)**
Reclassification	**(64)**	**-**	**-**	**(64)**
Revaluation	**26,624**	**-**	**-**	**26,624**
Carrying amount as at 30 June 2018	**118,821**	**6,257**	**5,722**	**130,800**

The Organisation re-establishes coupes at the conclusion of harvesting. This obligation is recognised as a provision for the expected cost of re-establishment. The provision creates a make good asset and is reallocated as an adjustment in the forest value.

Land is valued at nil as it is Crown Land with constraints applied under the *Forest Management Act 2013*.

C2 Re-establishment provision

Accounting policy

In 2016, the Organisation changed its accounting policy such that the obligation to re-establish the harvested coupes is recognised by setting aside a provision equivalent to the expected costs of re-establishment. The provision calculation is based on harvested area and relevant treatment costs. The provision results in the creation of a make good asset identified under the biological asset class. The value of the make good asset is treated as a reallocation between the forest and the make good asset. The provision is apportioned between current and non-current liabilities based on the expected timing of re-establishment.

The Organisation re-establishes coupes at the conclusion of harvesting operations. The Organisation recognised re-establishment costs as costs were incurred until 30 June 2015.

The Organisation has issued forestry rights and has an obligation to re-establish coupes when the land has been handed back at the expiry of the right.

	2018 $'000	2017 $'000
Current	**2,074**	1,830
Non current	**4,183**	3,985
	6,257	5,815

Section D: Details on Financial Position Items

Sustainable Timber Tasmania
For the year ended 30 June 2018

D1 Trade and other receivables

Accounting policy

Trade and other receivables are measured at their amortised cost less impairment losses [refer note F1(c)]. Trade receivables with a short duration are not discounted. Collection terms are generally between 30-90 days for trade receivables. The average debtor days at 30 June 2018 was 72 days.

	2018 $'000	2017 $'000
Current		
Trade and other receivables	**14,807**	13,506
Less provision for impairment	**(3,221)**	(2,311)
Accrued revenue	**22**	242
Prepayments	**970**	497
Derivative asset	**-**	65
Total current receivables	**12,578**	11,999
Non current		
Intercompany loan	**1,467**	2,132
Provision for intercompany receivable	**-**	-
Other	**84**	84
Total non current receivables	**1,551**	2,216

D2 Inventories

Accounting policy

Inventories are measured at the lower of cost and net realisable value. Net realisable value is determined on the basis of each inventory line's normal selling pattern. Costs of inventory include those expenses incurred in bringing inventory items to their present location and condition and include the following:

- *Raw materials - purchase cost or costs of direct materials and labour and a proportion of overheads*
- *Finished goods and work in progress - costs of direct materials and labour and a proportion of overheads.*

	2018 $'000	2017 $'000
Gravel stocks at cost	**2,131**	1,894
Seed and seedlings at cost	**2,424**	2,671
Timber at cost	**3,082**	4,185
Stores general at cost	**337**	267
	7,974	9,017

Section D: Details on Financial Position Items (continued)

D3 Property, plant and equipment

Accounting policy

(i) Valuation

Land, buildings and leasehold improvements are measured at fair value less accumulated depreciation and accumulated impairment losses recognised after the date of the revaluation. Land and building are classed as Level 2 assets under the fair value measurement standard.

Non-current assets measured at fair value are revalued with sufficient regularity to ensure the carrying amount of each asset does not differ materially from fair value at reporting date. Periodic reviews are completed for specifically identified land and buildings every 3 to 5 years by an independent valuer. Other land and building assets are valued using Capital Value Adjustment Factors supplied from the office of the Valuer General. Revaluation increments are recognised in the asset revaluation reserve except for amounts reversing a decrement previously recognised as an expense, which are recognised as revenues in other comprehensive income. Revaluation decrements are only offset against revaluation increments relating to the same asset. Any excess is recognised as an expense.

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Borrowing costs related to the acquisition or construction of qualifying assets are included as a directly attributable cost of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Organisation and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss (in other income) in the year the asset is derecognised. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

The capitalisation threshold for plant and equipment is $1,000 and $5,000 for all other classes of non-current assets. All land transactions are capitalised.

Freehold land and buildings are measured on a fair value basis, being the amount for which the assets could be exchanged between knowledgeable and willing parties in an arm's-length transaction, having regard to the highest and best use of the asset for which other parties would be willing to pay. The valuation as at 30 June 2018 for major assets was determined by an independent valuer, the Valuer General, on the basis of open market values for existing use of specific assets. Subsequent movements in these assets are determined by applying the Capital Value Adjustment Factors obtained from the office of the Valuer General.

(ii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property and equipment. Depreciation of plant and vehicles has been recognised in the profit or loss on a diminishing value basis. Assets under finance lease are amortised over the shorter of the lease term and the useful life unless it is reasonably certain that the Organisation will obtain ownership by the end of the lease term. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The estimated useful lives for the current and comparative periods are as follows:

- *Buildings 10 to 40 years*
- *Plant and Equipment 2 to 15 years.*

Land is not depreciated.

Section D: Details on Financial Position Items (continued)

Reconciliation of property, plant and equipment assets ($000)

	Land $'000	Buildings $'000	Plant & equipment $'000	Capital work in progress $'000	Total $'000
Carrying amount at 1 July 2016	2,002	9,711	1,660	6	13,379
Additions	-	-	6	1,127	1,133
Disposals	-	-	(147)	-	(147)
Revaluation	3	315	-	-	318
Impairment	-	-	-	-	-
Movement in work in progress	-	-	-	(26)	(26)
Depreciation	-	(366)	(246)	-	(612)
Carrying amount at 30 June 2017	2,005	9,660	1,273	1,107	14,045
Carrying amount at 1 July 2017	**2,005**	**9,660**	**1,273**	**1,107**	**14,045**
Additions	**-**	**-**	**1,813**	**720**	**2,533**
Disposals	**(93)**	**(178)**	**(68)**	**-**	**(339)**
Revaluation	**-**	**13**	**-**	**-**	**13**
Impairment	**-**	**-**	**(97)**	**-**	**(97)**
Movement in work in progress	**-**	**-**	**-**	**(1,813)**	**(1,813)**
Depreciation	**-**	**(359)**	**(315)**	**-**	**(674)**
Carrying amount at 30 June 2018	**1,912**	**9,136**	**2,606**	**14**	**13,668**
Original cost of assets 30 June 2018	**1,236**	**13,409**	**11,902**	**-**	**26,547**

D4 Other investments

	2018 $'000	2017 $'000
Non current		
Investment in Huon Valley Financials Pty Ltd	**5**	5
	5	5

D5 Trade and other payables

Accounting policy

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30-day terms.

	2018 $'000	2017 $'000
Current		
Trade creditors and other payables	**6,025**	6,568
Redundancy cost [1]	**-**	206
Accrued expenses	**1,821**	2,746
Total current payables	**7,846**	9,520
Non current		
Trade creditors	**-**	-
	-	-

1 *The redundancy program was initiated in May 2017. A total of 30 positions were made redundant as part of the organisation restructure. The total redundancy cost was $1.662 million. One additional position was made redundant in 2017/2018 at a cost of $0.032 million. The provision for redundancy costs of $0.206 million related to four redundant positions that had been agreed with relevant employees as at 30 June 2017 for relevant employees leaving between 1 July 2017 and 31 December 2017.*

Section D: Details on Financial Position Items (continued)

D6 Revenue received in advance

Accounting policy

Government grants received by the Organisation for capital infrastructure projects are taken to the profit and loss annually in accordance with the proportionate value of the depreciation expense associated with the capital asset for which the grant funds were originally received.

Revenue received in advance includes funds received under the Tasmanian Community Forest Agreement – Intensive Forest Management program (TCFA). The TCFA is an agreement signed by the State and Commonwealth to supplement the provisions of the Regional Forest Agreement (RFA) by improving existing hardwood plantations to compensate for the loss of forest due to the creation of additional conservation reserves.

The Organisation has performed its obligations under the TCFA and there is no further qualifying expenditure to further reduce the liability. The Organisation has received legal advice confirming that there is no requirement to return any remaining funds. The Organisation de-recognised the liability on 30 April 2018 resulting in a gain of $17.9 million being recognised in Comprehensive income.

Revenue received in advance also includes deferred income pursuant to forestry rights over a 99 year term where income is proportionally recognised in comprehensive income over the term of the right.

	2018 $'000	2017 $'000
Current	**3,240**	5,832
Non Current	**6,452**	15,306
	9,692	21,138

Reconciliation of revenue received in advance ($000)

	2018 $'000	2017 $'000
Tasmanian Community Forest Agreement		
Opening balance	**17,891**	17,891
De-recognition of liability	**(17,891)**	-
Closing balance	**-**	17,891
Tasmanian Forest Agreement		
Opening balance	**3,025**	600
Receipts	**-**	6,800
Tasmanian Forest Agreement implementation funding	**-**	(4,375)
Closing balance	**3,025**	3,025
Deferred income - forestry rights		
Opening balance	**-**	-
Receipts	**6,500**	-
Revenue recognised in comprehensive income	**(48)**	-
Closing balance	**6,452**	-
Other revenue received in advance		
Opening balance	**222**	244
Receipts	**-**	204
Other activities	**(7)**	(226)
Closing balance	**215**	222
Closing balance 30 June 2018	**9,692**	21,138

Section D: Details on Financial Position Items (continued)

D7 Interest bearing liabilities

Accounting policy

Interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss over the period of the borrowings on an effective interest basis.

The Organisation repaid the entirety of it's borrowings in full on 6 October 2017 on completion of the Plantation sale (2017: $29.8 million). The Organisation maintains the facility however the facilitiy limit is $nil. The facility is secured by a floating charge over the Organisation's trade and other receivables. Refer to note D1 for the carrying amount of trade and other receivables which the Organisation has pledged as security.

The full amount payable on credit cards is included in current liabilities as this is payable within 31 days before interest is charged. After this date, the payable bears interest at 17.99% pa (2017:17.99% pa) payable monthly.

The Organistion has a US$2.0 million foreign currency overdraft facility to facilitate foreign currency dealings (2017: $2.0 million). The facility was undrawn at 30 June 2018 (2017: $nil).

Loans that are due to be repaid or renegotiated in the ensuing twelve month period are classified as current.

The interest rate (excluding guarantee fees) on borrowings is 2.2% (2017: 2.2%).

	2018 $'000	2017 $'000
Current		
Borrowings	-	29,800
	-	29,800
Non current		
Borrowings	-	-
	-	-
Total interest-bearing liabilities	-	29,800
Financing arrangements		
The Organisation has access to the following lines of credit:		
Total facilities available:		
Credit cards	**1,300**	800
Foregin currency overdraft facility	**2,706**	2,600
Loan facility - secured	-	41,000
	4,006	44,400
Facilities used at balance date:		
Credit cards	**43**	26
Foregin currency overdraft facility	-	-
Loan facility - secured	-	29,800
	43	29,826
Facilities not utilised at balance date:		
Credit cards	**1,257**	774
Foregin currency overdraft facility	**2,706**	2,600
Loan facility - secured	-	11,200
	3,963	14,574

Section E: Employee Entitlements

Sustainable Timber Tasmania
For the year ended 30 June 2018

E1 Employee benefits

Accounting policy

Superannuation

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Organisation's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted.

An independent actuarial assessment of the Organisation's unfunded superannuation liability has determined the overall obligation to current and past employees. The actuary uses the 'Projected Unit Credit' method to determine the unfunded superannuation liability.

The discount rate is the yield at the reporting date based on AA credit-rated or government bonds that have maturity dates approximating the terms of the Organisation's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Organisation, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Organisation if it realisable during the life of the plan, or on settlement of the plan liabilities.

The accounting standard states that the discount rate used to value employee benefit liabilities should be based on the yield on high quality corporate bonds if a deep market for these bonds exists (if not, the discount rate should be based on government bond yields). It has been determined that a liquid market does exist. On this basis the Defined Benefit Obligation at 30 June 2018 is based on a corporate bond yield of 4.30% (2017: 4.35%).

The Organisation recognises as an expense in the current period the cost of contributions and the detailed expense figures as advised by the actuary. The actuarial gains and losses for the period are recognised in other comprehensive income.

The defined benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. The superannuation liability is determined by a Treasury-appointed independent Actuary.

The superannuation liability is determined by a Treasury appointed independent Actuary.

Annual leave

Liabilities for annual leave expected to be settled within 12 months of the year end represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on wage and salary rates that the business expects to pay as at reporting date including related on costs.

Long service leave

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided up to balance date.

In calculating the liability, consideration has been given to future increases in wage and salary rates, including on costs, and takes into account the Organisation's experience with staff departures. The discount rates utilised in the calculation of the liability are provided by Treasury and are equivalent to an Australian Government bond rate.

All vested long service leave is shown as a current liability.

Workers compensation

The Organisation is a self-insurer for workers compensation. The provision for workers compensation is set at a level to cover estimated medical expenses, compensation payments and likely common law settlements for reported claims as at 30 June 2018. The provision also includes an allowance for incurred but unreported claims at 30 June 2018.

Sick leave

No liability has been recognised for sick leave as any entitlement to sick leave is non-vesting.

Section E: Employee Entitlements (continued)

E2 Current employee benefits

	2018 $'000	2017 $'000
Annual leave	**940**	970
Long service leave	**1,747**	1,749
Superannuation defined benefit scheme (see note below)	**337**	346
Workers compensation	**63**	74
	3,087	3,139

E3 Non current employee benefits

	2018 $'000	2017 $'000
Long service leave	**139**	150
Superannuation defined benefit scheme (see note below)	**19,987**	20,061
	20,126	20,211

Assumed rate of increase in wages and salaries rates	**3.00%**	3.00%
Discount rate used in the calculation of the long service leave provision ranges from 2.47% to 4.01% (2017 range 2.28% to 4.00%).		
Settlement terms (years) - long service leave	**10 years**	10 years

E4 Superannuation liability

	2018	2017
Key assumptions		
Assumptions to Determine Defined Benefit Cost and Start of Year Defined Benefit Obligation		
Discount rate (active members)	**4.35%**	3.55%
Discount rate (pensioners)	**4.35%**	3.55%
Expected rate of increase of compulsory preserved amounts	**3.00%**	4.50%
Expected salary increase rate	**3.00%**	3.00%
Expected pension increase rate	**2.50%**	2.50%
Assumptions to Determine End of Year Defined Benefit Obligation		
Discount rate (active members)	**4.30%**	4.35%
Discount rate (pensioners)	**4.30%**	4.35%
Expected salary increase rate	**3.00%**	3.00%
Expected rate of increase of compulsory preserved amounts	**3.00%**	3.00%
Expected pension increase rate	**2.50%**	2.50%

Sensitivity analysis

Scenario A - 1.0% pa lower discount rate assumption
Scenario B - 1.0% pa higher discount rate assumption
Scenario C - 1.0% pa lower expected pension increase rate assumption
Scenario D - 1.0% pa higher expected pension increase rate assumption

	Actual	Scenario A	Scenario B	Scenario C	Scenario D
Discount rate (pa)	4.30%	3.30%	5.30%	4.30%	4.30%
Pension increase rate (pa)	2.50%	2.50%	2.50%	1.50%	3.50%
Defined benefit obligation (A$'000s)	24,515	29,204	20,872	22,294	27,247

Section E: Employee Entitlements (continued)

	2018 $'000	2017 $'000
Profit or loss impact		
Current service cost	**1,177**	1,614
Net interest	**870**	4,183
Defined benefit cost recognised in profit or loss	**2,047**	5,797
Other comprehensive income		
Actuarial (gains) losses	**(1,684)**	(22,594)
Actuarial return on plan assets less interest income	**(122)**	(3,604)
Total remeasurements recognised in other comprehensive income	**(1,805)**	(26,198)
Reconciliation of the Net Defined Benefit Liability/(Asset)		
Defined Benefit Obligation	**24,515**	24,150
Fair value of plan assets	**(4,191)**	(3,744)
Deficit/(surplus)	**20,324**	20,407
Net defined benefit liability/(asset)	**20,324**	20,407
Current net liability	**337**	346
Non current net liability	**19,987**	20,061
Reconciliation of the Fair Value of Scheme Assets		
Fair value of plan assets at beginning of the year	**3,744**	32,056
Interest income	**169**	552
Actual return on plan assets less interest income	**122**	3,604
Employer contributions	**325**	4,452
Contributions by plan participants	**446**	412
Benefits paid	**(614)**	(6,265)
Taxes, premiums and expenses paid	**-**	(301)
Transfers out	**-**	(30,766)
Fair value of plan assets at end of the year	**4,191**	3,744
Reconciliation of the Defined Benefit Obligation		
Present value of defined benefit obligation at beginning of the year	**24,150**	190,344
Current service cost	**1,177**	1,614
Interest cost	**1,039**	4,734
Contributions by plan participants	**446**	412
Actuarial (gains)/losses arising from changes in demographic assumptions	**-**	(440)
Actuarial (gains)/losses arising from changes in financial assumptions	**204**	(23,617)
Actuarial (gains)/losses arising from liability experience	**(1,888)**	1,462
Benefits paid	**(614)**	(6,265)
Taxes, premiums and expenses paid	**-**	(301)
(-) Transfers out	**-**	(30,766)
(-) Contribution by owner	**-**	(113,028)
	24,515	24,150

Section E: Employee Entitlements (continued)

Fair value of scheme assets Asset Category	Total (A$'000)	Quoted prices in active markets for identical assets - Level 1 (A$'000)	Significant observable inputs - Level 2 (A$'000)	Unobservable inputs - Level 3 (A$'000)
Equity Securities	1,539	660	879	-
Unit Trusts	2,611	1,381	1,230	1
Direct Property	40	-	40	-
Derivative Assets	1	-	1	-
Total	**4,191**	**2,041**	**2,149**	**1**

Expected employer contributions for the year ended 30 June 2019 are $398,000 (2018: $346,000).

	2018 $'000	**2017 $'000**
Current service cost		
1 Total current service cost at beginning of year	**(1,555)**	(1,666)
2 Interest for the year	**(68)**	(59)
3 Expected contributions tax and expenses	**-**	(301)
4 Expected employee contributions	**446**	412
7 Current service cost	**(1,177)**	(1,614)
Interest expense		
1 Defined benefit obligation at beginning of year	**24,150**	190,344
2 Expected distributions	**(509)**	(113,973)
a. Weighted timing	**(255)**	(56,987)
3 Average defined benefit obligation (1-2a)	**23,896**	133,357
4 Discount rate	**4.35%**	3.55%
5 Interest expense (3 x 4)	**(1,039)**	(4,734)
Interest income		
1 Fair value of plan assets at beginning of year	**3,744**	32,056
2 Expected employer contributions	**346**	3,509
a. Weighted for timing	**173**	1,754
3 Expected employee contributions	**446**	412
a. Weighted for timing	**223**	206
4 Expected distributions during year	**509**	36,657
a. Weighted for timing	**255**	18,329
5 Expected expenses, tax and insurance premiums	**-**	301
a. Weighted for timing	**-**	151
6 Average expected fair value of assets (1+2a+3a-4a-5a)	**3,885**	15,537
7 Discount rate	**4.35%**	3.55%
8 Interest income (6x7)	**169**	552
Net interest		
1 Interest expense	**(1,039)**	(4,734)
2 Interest income	**169**	552
3 Net interest (1-2)	**(870)**	(4,183)
Actuarial (Gains)losses (recognised in Other Comprehensive Income)		
1 Actuarial (gain)/loss on Defined Benefit Obligation - experience	**(1,888)**	1,462
2 Actuarial (gain)/loss on Defined Benefit Obligation - change in demographic assumptions	**-**	(440)
3 Actuarial (gain)/loss on Defined Benefit Obligation - change in financial assumptions	**204**	(23,617)
4 Actuarial (gain)/loss (1+2+3)	**(1,684)**	(22,594)

Section E: Employee Entitlements (continued)

E5 Key management personnel compensation and other disclosures

The aggregate compensation to key management personnel of the Organisation is set out below:

	Director Remuneration		Executive Remuneration		Consolidated	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Short-term employee benefits	**329**	352	**1,202**	1,292	**1,531**	1,644
Post-employments benefits	**31**	31	**120**	130	**151**	161
Other long-term benefits	**-**	-	**8**	(30)	**8**	(30)
Termination benefits	**-**	-	**-**	95	**-**	95
	360	383	**1,330**	1,487	**1,690**	1,870

For Director remuneration, Short term employment benefits includes Director fees, Committee fees and Other benefits. Post employment benefits represents superannuation contributions.

For Executive remuneration, Short-term employment benefits includes Base salary, Short-term incentive payments, Vehicles, Other benefits and Other non-monetary benefits. Post employment benefits represents superannuation contributions and Other long-term employee benefits includes leave movements. Termination benefits are as provided for below.

E5(a) Remuneration for the Board of Directors

The following tables disclose the remuneration details for each person that acted as a Director during the current and previous financial year:

Directors Remuneration 2017-18[1]
Non-Executive Directors

Name	Position	Period	Director Fees[1] $'000	Committee Fees[1] $'000	Short-Term Incentive Payments $'000	Superannuation[2] $'000	Vehicles $'000	Other Benefits $'000	Total Remuneration Package $'000	Termination Benefits $'000	Other Non-Monetary Benefits $'000	Other Long-Term Benefits $'000	Total $'000
Mr R de Fégely [5]	Chairman	Full year	106	-	-	10	-	-	116	-	-	-	**116**
Dr C Mucha	Director	Full year	51	4	-	5	-	-	60	-	-	-	**60**
Ms S Baker [5]	Director	Full year	51	4	-	5	-	-	60	-	-	-	**60**
Prof M Hunt	Director	Full year	51	4	-	5	-	-	60	-	-	-	**60**
Dr L Bull	Director	Full year	50	-	-	5	-	-	55	-	-	-	**55**
Mr B Tisher	Director	1/1/2018 to 28/2/2018	8	-	-	1	-	-	9	-	-	-	**9**
Total			**317**	**12**	**-**	**31**	**-**	**-**	**360**	**-**	**-**	**-**	**360**

Section E: Employee Entitlements (continued)

Directors Remuneration 2016-17[1]
Non-Executive Directors

Name	Position	Period	Director Fees[1] $'000	Committee Fees[1] $'000	Short-Term Incentive Payments $'000	Superannuation[2] $'000	Vehicles $'000	Other Benefits $'000	Total Remuneration Package $'000	Termination Benefits $'000	Other Non-Monetary Benefits $'000	Other Long-Term Benefits $'000	Total $'000
Mr R de Fégely	Chairman	Full year	104	-	-	10	-	-	114	-	-	-	**114**
Dr C Mucha [3]	Director	Full year	49	11	-	6	-	-	66	-	-	-	**66**
Mr T Ferrall [4]	Director	To 28/2/2017	36	-	-	-	-	-	36	-	-	-	**36**
Ms S Baker	Director	Full year	49	3	-	5	-	-	57	-	-	-	**57**
Prof M Hunt	Director	Full year	49	1	-	5	-	-	55	-	-	-	**55**
Dr L Bull	Director	Full year	49	1	-	5	-	-	55	-	-	-	**55**
Total			**336**	**16**	**-**	**31**	**-**	**-**	**383**	**-**	**-**	**-**	**383**

1 *Amounts are all forms of consideration paid, payable or provided by the Organisation and disclosure is made on an accruals basis as at 30 June 2018.*
2 *Superannuation means the contribution to the superannuation fund of the individual.*
3 *Dr C Mucha received payment in 2017 as Chair of two committees in 2016.*
4 *Mr T Ferrall's director fees are paid directly to Treasury and no superannuation is applied to the payment.*
5 *In order to apply good governance principles, Mr R de Fégely abstained from attending Director meetings on 9 June 2017 and resumed attendance on 31 August 2017 during the plantation sale process. Ms S Baker acted in the position of Chairperson during this period.*

Section E: Employee Entitlements (continued)

E5(b) Key management personnel remuneration principles

Key management personnel are determined to be the Organisation's Directors and the members of the General Management Team.

Non-executive directors are appointed by the Governor-in-Council on the joint recommendation of the Treasurer and Portfolio Minister. Each instrument of appointment is for a maximum period of three years and prescribes the relevant remuneration provisions. Directors can be re-appointed.

No other leave, termination or retirement benefits are accrued or paid to Directors. Directors are entitled to reimbursement of expenses incurred while attending to Board business. Non-executive directors' remuneration is reviewed periodically with increases subject to approval by the Treasurer and Portfolio Minister.

The maximum level of fees paid to non-executive directors is administered by the Department of Premier and Cabinet as are additional fees paid in respect of superannuation, which is paid at the appropriate rate as prescribed by the superannuation guarantee legislation.

Remuneration levels for the Organisation's General Management Team are set to attract and retain appropriately qualified and experienced senior executives. The Remuneration and Board Nomination Committee obtains independent advice on the appropriateness of remuneration packages given trends in comparative entities both locally and interstate and the objectives of the Organisation's remuneration policy.

The remuneration structures take into account the capability and experience of the General Management Team, the General Management Team's ability to control the relevant segment performance and achievement of the Organisation's strategic initiatives.

The employment and conditions of the General Management Team are contained in individual employment contracts and related documents. These documents prescribe total remuneration, superannuation, annual and long service leave and vehicle and salary sacrifice provisions. The Chief Executive Officer is appointed by the Premier and Portfolio Minister following selection and recommendation by the Board. Independent professional advice is obtained prior to entering into, or extending an employment agreement and when determining the Chief Executive Officer's remuneration package. The Board consults with the Treasurer and Portfolio Minister prior to finalising the Chief Executive Officer's remuneration package. The Chief Executive Officer is also eligible for a short term incentive payment subject to meeting agreed key performance indicators.

The performance of each senior executive, including the Chief Executive Officer, is reviewed annually, which includes a review of the remuneration package. The terms of employment of each senior executive, including the Chief Executive Officer, contain a termination clause that requires the senior executive or the Organisation to provide a minimum notice of between 3 and 6 months prior to termination of the contract or make redundancy payments if relevant. Chief Executive Officer contracts for GBEs include a set term consistent with the requirements of the Government Business Enterprises Act 1995*. Service contracts have duration not exceeding five years, but can be extended based on the Organisation's requirements.*

The Organisation has not made any loans with any member of the Board of Directors, the General Management Team or their related parties.

Key management personnel remuneration meets the Department of Treasury and Finance's Guidelines for Government businesses – Director and Executive Remuneration reporting requirements and is prepared in accordance with Treasurer's Instruction GBE 08-55-06 Annual Report and Statement of Compliance for GBEs and the Member's Direction of June 2014 to SOCs.

E5(c) General Management Team remuneration

Other key management personnel are determined to be the members of the Organisation's General Management Team. The Organisation's General Management Team comprises 6 members as at 30 June 2018 (2017: 5 members). The Remuneration Committee of the Board is responsible for determining and reviewing compensation arrangements for members of the General Management Team.

Section E: Employee Entitlements (continued)

General Management Team Remuneration 2017-18 Name	Base Salary[1] $'000	Short-Term Incentive Payments[2] $'000	Superannuation[3] $'000	Vehicles[4] $'000	Other Benefits[5] $'000	Total Remuneration Package $'000	Termination Payments[6] $'000	Other Non-Monetary Benefits[7] $'000	Other Long-Term Benefits[8] $'000	Total $'000
Mr S Whiteley - CEO	344	-	41	-	-	385	-	-	(9)	**376**
Mr C Brookwell - GM Corporate Services	266	-	25	-	-	291	-	-	4	**295**
Mr D Bartlett - GM Business Development and Strategy	183	-	17	-	-	200	-	-	9	**209**
Mrs S Weeding - GM Land Management	183	-	17	7	-	207	-	-	(3)	**204**
Mr G Hickey - GM Forest Products	180	-	17	5	-	202	-	-	4	**206**
Mrs J Puig - Company Secretary and General Council (commenced 1/02/18)	34	-	3	-	-	37	-	-	3	**40**
Total	**1,190**	**-**	**120**	**12**	**-**	**1,322**	**-**	**-**	**8**	**1,330**

General Management Team Remuneration 2016-17 Name	Base Salary[1] $'000	Short-Term Incentive Payments[2] $'000	Superannuation[3] $'000	Vehicles[4] $'000	Other Benefits[5] $'000	Total Remuneration Package $'000	Termination Payments[6] $'000	Other Non-Monetary Benefits[7] $'000	Other Long-Term Benefits[8] $'000	Total $'000
Mr S Whiteley - CEO	330	-	39	-	-	369	-	-	24	**393**
Mr J Garrett - EGM Commercial (term completed 17/3/17)	161	-	15		-	176	13	-	(3)	**186**
Mr C Brookwell - GM Corporate Services	260	-	25	-	-	285	-	-	(5)	**280**
Mr D Bartlett - GM Business Development and Strategy (commenced 20/3/17)	50	-	5	-	-	55	-	-	4	**59**
Mrs S Weeding - GM Land Management	177	-	17	10	-	204	-	-	8	**212**
Mr G Hickey - GM Forest Products (commenced in role 24/12/16)	89	-	9	-	-	98	-	-	6	**103**
Mr J Shevlin - EGM Communications (term completed 31/1/17)	122	-	11	-	-	133	1	-	(3)	**131**
Mr N Foss - GM Operations 1 (resigned 23/12/16)	86	-	9	7	-	102	81	-	(60)	**123**
Total	**1,275**	**-**	**130**	**17**	**-**	**1,422**	**95**	**-**	**(30)**	**1,487**

1 *Base salary includes all forms of consideration paid and payable for services rendered, compensated absences during the period and salary sacrifice amounts.*
2 *Short term incentive payments are non-recurrent payments which depend on achieving specified performance goals within specified timeframes. These payments are capped at 15% of base salary as per the remuneration Guidelines.*
3 *Superannuation means the contribution to the superannuation fund of the individual. Superannuation benefits for members of a defined benefit scheme were calculated using a notional cost based on 11.9%.*
4 *Includes total cost of providing a vehicle for private use, including registration, insurance, fuel and other consumables, maintenance cost and parking (including notional value of parking provided at premises that are owned or leased and fringe benefits tax). Where a contribution has been made by the employee for private use this amount has been deducted from the actual private use cost.*
5 *Other benefits includes all other forms of employment allowances (but excludes reimbursements for expenses such as travel, accommodation or meals), payments in lieu of leave, and any other compensation paid and payable.*
6 *Termination benefits include all forms of benefit paid or accrued as a consequence of termination.*
7 *Other non-monetary benefits include all other benefits not included in the Total Remuneration Package for the purposes of assessing compliance with the remuneration Guideline.*
8 *Other long-term benefits include annual and long service leave movements.*

E5(e) Board Approved Overseas Travel

There were no overseas trips completed by Directors or senior management (members of the General Management Team) during the year. There were no overseas trips undertaken by employees of the business during the year (2017: $32,545).

Section F: Risks and Fair Values

Sustainable Timber Tasmania
For the year ended 30 June 2018

F1 Financial instruments disclosure

Accounting policy

The Organisation has exposure to the following risks from its use of financial instruments:

* Credit risk
* Liquidity risk
* Market risk

This note presents information about the Organisation's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. The Board has overall responsibility for the establishment and oversight of the risk management framework. The Finance, Audit and Risk Management Committee is responsible for developing and monitoring risk management policies and reports regularly to the Board on these activities.

The risk management and investment policies are established to identify and analyse the risks faced by Sustainable Timber Tasmania, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The Finance, Audit and Risk Management Committee oversees how management monitors compliance with the Organisation's risk management and investment policies and is assisted in this task by internal audit.

Credit Risk

Credit risk is the risk of financial loss to the Organisation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Organisation's receivables from customers, investment securities and cash holdings with financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Organisation will not be able to meet its financial obligations as they fall due. The Organisation's approach to managing liquidity is to manage the business with the objective that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Organisation's reputation.

Market Risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates, interest rates and equity prices will affect the Organisation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Capital Management

The Board's long term objective is to achieve a BBB credit rating. In 2006-07 a capital structure review was completed with the results indicating that the Organisation's ability to achieve and maintain a BBB credit rating is impacted by the value of the unfunded superannuation liability, which is treated as debt for capital rating purposes.

The Organisation's current credit rating is BB-.

The Board monitors the level of dividends payable to the shareholder and the Organisation's return on assets. The return on assets is impacted by market conditions, the value of non-operating accounting impacts to the net profit before tax and costs attributable to non-commercial forest zones and community service obligations. Net debt and interest coverage ratios exclude the movement in and the balance of the unfunded superannuation liability.

F1(a) Capital risk management

The Board's long term objective is to achieve a BBB credit rating. In 2006-07 a capital structure review was completed with the results indicating that the Organisation's ability to achieve and maintain a BBB credit rating is impacted by the value of the unfunded superannuation liability, which is treated as debt for capital rating purposes.

The Organisation's capital structure consists of debt in the form of the unfunded superannuation liability disclosed in note E4.

F1(b) Categories of financial instruments

Non-derivative financial instruments comprise investments in equity securities, debt securities, trade and other receivables, cash and cash equivalents and trade and other payables. Investments in debt securities are purchased with the intention to hold-to maturity.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. A financial instrument is recognised if the Organisation becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Organisation's contractual rights to the cash flows from the financial assets expire or if the Organisation transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Organisation's obligations specified in the contract expire or are discharged or cancelled.

The Organisation holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in fair value are recognised immediately in profit or loss.

Section F: Risks and Fair Values (continued)

F1(b) Categories of financial instruments (continued)

	Note	2018 $'000	2017 $'000
Financial Assets			
Short term deposits	B4	**42,901**	-
Other cash and cash equivalents	B4	**2,458**	3,710
Trade and other receivables	D1	**14,129**	14,215
Fair value through profit or loss - held for trading	D4	**5**	5
		59,493	17,930
Financial Liabilities			
Financial liabilities measured at amortised cost	D5, D7	**(7,846)**	(39,320)
		(7,846)	(39,320)

F1(c) Credit Risk

Exposure to credit risk

The carrying amount of the Organisation's financial assets represents the maximum credit exposure. The Organisation's maximum exposure to credit risk at the reporting date was:

	Note	2018 $'000	2017 $'000
Short term deposits	B4	**42,901**	-
Other cash and cash equivalents	B4	**2,458**	3,710
Trade and other receivables	D1	**14,129**	14,215
Fair value through profit or loss - held for trading	D4	**5**	5
Total financial assets		**59,493**	17,930

Debt securities

Accounting policy

The Organisation holds investments in cash, cash equivalents and Australian fixed interest securities. The Organisation's investment policy permits deposits with any bank registered under the Commonwealth Banking Act 1959 *or any bank established and conducted by a State of the Commonwealth of Australia or by an authority established under a law of that State or any building society, deposits with the Tasmanian Public Finance Corporation or loans to the Tasmanian Public Finance Corporation.*

The Organisation manages credit risk by restricting investments to interest rate securities with a Standard & Poor's rating of A and above, portfolio diversification and maturity restrictions.

Accounts receivable

Accounting policy

The Organisation's principal credit risk arises from non payment of trade and other receivables. The Organisation's credit policy expects that each customer's payment will be made by the due date and any disputed transactions will be brought to the Organisation's attention as soon as possible and dealt with in a prompt and commercial manner. All customers' credit details are reviewed and a credit limit is determined for each customer. Significant overdue debtor balances are considered by the Debt Management Committee on a monthly basis. Summary debtor reports are reviewed by the Board of Directors on a monthly basis.

The majority of the Organisation's customers have been transacting with the Organisation for more than five years and losses have occurred infrequently. Customers that are regarded as higher risk are monitored regularly and delivery of product may be withheld for periods of time if debts are not paid as agreed within the terms of the contractual arrangements or the Organisation's credit policy.

Sales are also made to several customers in China and Japan. The Organisation is not materially exposed to any individual overseas country or overseas customer. Credit risk is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Foreign exchange contracts are subject to credit risk in relation to relevant counterparties, which are principally large financial institutions. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the Organisation pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Organisation. Documentary Letters of Credit are initiated for all chip sales contracts and are confirmed by the Organisation's bankers which minimises the credit risk to the Organisation, except for transactions through Japanese trading houses.

Section F: Risks and Fair Values (continued)

The Organisation's trade receivables ageing analysis at reporting date is:

	2018 $'000	2017 $'000
Current	**5,424**	6,662
30 days	**3,278**	2,728
60 days	**1,747**	1,530
90 days plus	**3,896**	1,676
Total	**14,345**	12,596

Impairment provisioning recognised

The Organisation has recognised impairment provisions relating to trade receivables.

	2018 $'000	2017 $'000
Opening balance	**(2,311)**	(2,172)
Recovery of prior year impairments	**311**	8
Impairment loss recognised	**(1,221)**	(147)
Closing balance	**(3,221)**	(2,311)

F1(d) Liquidity Risk

Accounting policy

The Organisation manages liquidity risk by maintaining adequate working capital, banking facilities and continuously monitoring forecast and actual cash flows against the operational activities planned to be undertaken. The following details the Organisation's remaining contractual maturity for its non derivative financial liabilities. The tables have been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Organisation can be required to pay.

	Weighted average interest rate	Less than 1 month	1-12 months	1-2 years	2-5 years	More than 5 years
2018						
Trade and other payables	0.00%	-	7,846	-	-	-
Interest bearing liabilities - variable	0.00%	-	-	-	-	-
2017						
Trade and other payables	0.00%	-	9,520	-	-	-
Interest bearing liabilities - variable	2.20%	-	29,800	-	-	-

Interest bearing liabilities

Accounting policy

The borrowings portfolio is reviewed on a regular basis to ensure that current interest bearing liabilities are reviewed for the purposes of any potential change to a fixed interest liability and any fixed interest liabilities that need to be renegotiated. Advice on future interest rate movements is independently sourced to assist the Board with their decisions in relation to interest bearing liabilities.

Section F: Risks and Fair Values (continued)

F1(e) Market Risk

Accounting policy

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position are outlined below. Except as detailed in the table, the directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised costs in the financial statements approximates their fair values.

	2018		2017	
	Carrying value $'000	**Fair value $'000**	**Carrying value $'000**	**Fair value $'000**
Short term deposits	**42,901**	**42,901**	-	-
Other cash and cash equivalents	**2,458**	**2,458**	3,710	3,710
Trade and other receivables	**14,129**	**14,129**	14,215	14,215
Fair value through profit or loss - held for trading	**5**	**5**	5	5
Trade and other payables	**(7,846)**	**(7,846)**	(9,520)	(9,520)
Interest bearing liabilities - variable	**-**	**-**	(29,800)	(29,800)
Total	**51,647**	**51,647**	(21,390)	(21,390)

Exposure to currency risk

The Organisation's policy is to use foreign currency risk management instruments in compliance with the Organisation's Foreign Exchange Policy. As at 30 June 2018, there were A $0.779 million of foreign currency forward exchange contracts in place with an effective hedge rate of $0.75774 (2017: A $3.964 million, hedge rate $0.7559).

The Organisation accounts for forward exchange contracts as financial assets or liabilities at fair value through the Statement of Comprehensive Income.

The US dollar bank account is exposed to the movement in the exchange rate. The organisation transfers funds to the Australian dollar account when available, but when appropriate retains a balance in the US dollar account to pay foreign currency expenses and to meet forward exchange contract commitments. The balance in the account as at 30 June 2018 was US $0.031 million (2017: US $NIL).

Interest bearing liabilities - fixed

Borrowings undertaken by the Organisation are at a variable interest rate.

Section F: Risks and Fair Values (continued)

F2 Fair value measurement

A number of the Organisation's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities. The Organisation has an established control framework with respect to the measurement of fair values. The Board's Finance Audit and Risk Management Committee has oversight of all fair value measurements, including Level 3 fair values.

There is regular review of significant unobservable inputs and valuation adjustments. If third party information, such as Valuer General Indices are used to measure fair values, that information is assessed for support to the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Organisation's Finance, Audit and Risk Management Committee.

When measuring the fair values of an asset or a liability, the Organisation uses market observable data as far as possible. Fair values are categorised into different level in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Organisation recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair value measurement

The following table summarises the sensitivity in relation to the significant unobservable inputs used in recurring level 3 fair value measurement:

Description	**Fair value at 30 June 2018 $'000**	**Unobservable inputs**	**Inputs**	**Relationship of unobservable inputs to fair value**
Forest estate incorporating biological asset	130,800.00	Price	5% increase	value increases $54m
		Discount rate	1% increase	value decreases $13m
		Discount rate	1% decrease	value increases $16m
		Cost	5% increase	value decreases $20m

Section G: Other Disclosures

Sustainable Timber Tasmania
For the year ended 30 June 2018

G1 Expenditure commitments

Operating expenditure commitments

G1(a) Operating leases

	2018 $'000	2017 $'000
Leases as lessee		
Non-cancellable operating lease rentals are payable as follows:		
Not longer than one year	**1,751**	1,466
Longer than one year but not longer than five years	**3,601**	2,817
Later than five years	**4,510**	4,578
	9,862	8,860

Accounting policy

Leases under which the Organisation assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Payments made under operating leases are recognised in profit and loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

The Organisation leases property and equipment under non-cancellable operating leases expiring from one to ten years. Leases generally provide the Organisation with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.

Finance leases are capitalised. A lease asset and a lease liability equal to the lower of fair value and the present value of the minimum lease payments, are recorded at the inception of the lease. Subsequent measurement may be required to review the value of the assets ie review assets for impairment. Contingent rentals are written off as an expense in the accounting period in which they are incurred. Capitalised lease assets are amortised on a straight-line basis over the term of the relevant lease or, where the Organisation will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by payments of principal. The interest component of the lease payments is charged to the profit and loss.

The Organisation does not have any finance lease liabilities.

G1(b) Capital expenditure commitments

	2018 $'000	2017 $'000
Plantation establishment		
Not longer than one year	**-**	-
Between one and five years	**-**	-
	-	-
Road construction		
Not longer than one year	**-**	-
Between one and five years	**-**	-
	-	-

G2 Contingent liabilities

Indemnities have been provided to directors and senior management of the Organisation in respect of liabilities to third parties arising from their positions, except where the liability arises out of conduct involving a lack of good faith. No monetary limit applies to these agreements and there are no known obligations outstanding at 30 June 2018.

The Organisation has an obligation pursuant to a forestry right to purchase future standing timber at the fair market value in 99 years. The obliging event is equally unperformed by both parties at balance date and the future obligation does not apply until the expiration of the forestry right in 99 years and therefore it is difficult to reliably quantify any obligation.

At various anniversary dates of the Plantation sale and purchase agreement, the Purchaser is able to surrender the relevant part of the Forestry Right where they deem the land Unproductive Area (unsuitable and/or uneconomical for future commercial plantation forestry). The Organisation may be entitled to receive a Regeneration Payment from the Purchaser as part of the surrender where the Purchaser has harvested timber or the area is damaged by fire. The Organisation has an obligation to regenerate the Unproductive Area pursuant to the requirements of the Forest Practices Code. This is a legal obligation and STT must complete the regeneration activity in accordance with contemporary forestry standards. There is no indication as to whether any Unproductive land will be handed back to the Organisation. An estimate of the financial effect is impracticable having considered the uncertainties relating to the amount and timing of any outflow.

G3 Controlled entities

	2018 $'000	2017 $'000
Newood		
Income Statement		
Revenue	**569**	8,214
Expenses	**(270)**	(507)
Income tax (expense) / benefit	**650**	(120)
Net profit/(loss)	**949**	7,587
Financial position		
Assets	**2,275**	1,879
Liabilities	**(1,680)**	(2,234)
Net Assets/(Liabilities)	**595**	(355)

The significant revenue item (liability forgone) is reflected in the parent figures for the Organisation (refer note D1 - non-current intercompany loan). Given the immaterial nature of Newood for the 2017-18 financial year, it is appropriate that only parent values are included in the annual financial statements.

Related party information

	Sales to related parties		Purchases from related parties		Amounts owed by related parties		Amounts owed to related parties	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Parent								
Newood Holdings Pty Ltd	**-**	171	**-**	121	**1,389**	2,132	**-**	-

Transactions with related parties are made at arm's length at normal market prices and on normal commercial terms. Outstanding balances at year end are unsecured and interest free. Settlement with related parties not wholly owned occurs in cash.

Section G: Other Disclosures (continued)

G4 Auditors' remuneration

	2018 $'000	2017 $'000
Amounts paid and payable to the Tasmanian Audit Office for auditing the financial statements of the Organisation	**107**	102
Amounts paid and payable to other service providers for internal and other regulatory audit services	**75**	68
	182	170

G5 Events subsequent to balance date

2018

Ms K Westwood was appointed as a non-executive Director of the Organisation effective from 1 August 2018.

2017

On 24 August 2017, the Organisation executed the transaction documents for the sale of the plantation estate of ~29,000 hectares. The transaction includes the sale of the timber on the relevant land and a Forestry Right for 99 years.

G6 Geographical Information

All non-current assets are located within Australia.

	2018 $'000	2017 $'000
Revenue		
Australia	**211,753**	84,243
Asia	**-**	62,824
Total revenue	**211,753**	147,067

G7 Other accounting policies

Accounting policy

G7(a) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

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

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

G7(b) Impairment of assets

i) Non-financial assets

The carrying amounts of the Organisation's non-financial assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

Section G: Other Disclosures (continued)

ii) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the date of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account within finance income or expense as exchange gains or losses in the profit and loss in the financial year in which they occur. Foreign currency gains and losses are reported on a net basis.

G7(c) Reserves

Property revaluation reserve – The Organisation's land under buildings and building assets are valued at fair value with any changes in the values of the asset taken to the reserve.

Certification of Financial Statements

Sustainable Timber Tasmania
For the year ended 30 June 2018

It is the opinion of the directors of Sustainable Timber Tasmania:

a) the financial statements and notes of Sustainable Timber Tasmania are in accordance with the *Government Business Enterprises Act 1995*, including:
   (i) giving a true and fair view of the results and cash flows for the financial year ended 30 June 2018 and the financial position as at 30 June 2018, of Sustainable Timber Tasmania; and
   (ii) complying with Australian Accounting Standards and Interpretations and with the Treasurer's Instructions.

b) there are reasonable grounds to believe that Sustainable Timber Tasmania will be able to pay its debts as and when they fall due.

This declaration has been made after receiving the following declaration from the Chief Executive Officer and the Executive General Manager Corporate Services of Sustainable Timber Tasmania:

(i) the financial records of Sustainable Timber Tasmania for the financial year ended 30 June 2018 have been properly maintained in accordance with Section 51 of the *Government Business Enterprises Act 1995*;

(ii) the financial statements and notes for the financial year ended 30 June 2018 have been prepared in accordance with Section 52 of the *Government Business Enterprises Act 1995*; and

(iii) the financial statements and notes for the financial year ended 30 June 2018 give a true and fair view.

Signed in accordance with a resolution of the directors.

Rob de Fégely
Director
10 August 2018

Suzanne Baker
Director
10 August 2018

Auditor's Independence Declaration

Sustainable Timber Tasmania
For the year ended 30 June 2018

Tasmanian
Audit Office

Level 8, 144 Macquarie Street, Hobart, Tasmania, 7000
Postal Address: GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6173 0900 | Fax: 03 6173 0999
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

9 August 2018

The Board of Directors
Sustainable Timber Tasmania
Level 1
99 Bathurst Street
HOBART TAS 7000

Dear Board Members

Auditor's Independence Declaration

In relation to my audit of the financial report of Sustainable Timber Tasmania for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of Australian Auditing Standards in relation to the audit

(b) any applicable code of professional conduct in relation to the audit.

As agreed with the Finance, Audit and Risk Management Committee, a copy of this declaration must be included in the Annual Report.

Yours sincerely

Ric De Santi
Deputy Auditor-General
Delegate of the Auditor-General

Independent Audit Report

Sustainable Timber Tasmania
For the year ended 30 June 2018

Tasmanian Audit Office

Independent Auditor's Report

To the Members of Parliament

Sustainable Timber Tasmania

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of Sustainable Timber Tasmania (STT) which comprises the statement of financial position as at 30 June 2018, the statements of comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the statement of certification by the directors.

In my opinion, the accompanying financial report:

(a) presents fairly, in all material respects, STT's financial position as at 30 June 2018 and its financial performance and its cash flows for the year then ended

(b) is in accordance with the *Government Business Enterprises Act 1995* and Australian Accounting Standards.

Basis for Opinion

I conducted the audit in accordance with 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 STT in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

The *Audit Act 2008* further promotes the independence of the Auditor-General. The Auditor-General is the auditor of all Tasmanian public sector entities and can only be removed by Parliament. The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

I confirm that the independence declaration provided to the directors of SST on 9 August 2018 would be in the same terms if provided to the directors at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Why this matter is considered to be one of the most significant matters in the audit	**Audit procedures to address the matter included**
The Forest Estate *Refer to notes C1, C2 and G5*	
(a) Valuation	
STT relied upon external advice for the valuation of the Biological assets, \$130.80m. This highly complex calculation involved an income capitalisation approach and was subject to numerous assumptions. Changes in market conditions, discount rate and key assumptions are inherently subjective and can significantly impact the value of biological assets. In addition, during the year 29 000 hectares of hardwood forest plantations were sold. The valuation is a key audit matter due to the complexity and level of judgement required in the calculations.	• Assessing the scope, expertise and independence of experts engaged by management to provide advice on the STT's Biological asset valuation methodology. • Reviewing management's valuation methodology, the basis of for assumptions used and compliance with relevant accounting standards, including AASB 141 *Agriculture*. • Validating the accuracy of data, including prices, volumes and costs provided by STT to its expert and verifying the accounting treatment for changes in the value of biological and other assets and future obligations. • Ensuring the plantation sale has been accounted for correctly. • Reviewing the accounting treatment for changes in the value of biological and other assets and future obligations.

(b) Roads and road structures STT valued road assets, $5.72m, using a 'value in use' approach, based on the present value of the future cash flows expected to be derived from using the road assets. The present value calculation applied a number of variables (i.e. road toll and maintenance costs) in the valuation of the biological assets cash generating unit. This item is considered a key audit matter due to the complexity and level of judgement required in the calculations.	• Assessing the accuracy of the calculation of the depreciation expense relating to road and road structure assets. • Analysing the impairment calculation, as a result of the 'value in use' approach in the valuation of the road network.
(c) Re-establishment provision Under the provisions of the *Forest Practices Act 1985* and the *Forest Practices Code,* STT is obligated to undertake the regeneration of harvested areas. The provision calculation was highly complex and included judgments related to the harvested area and the expected per hectare cost of regeneration.	• Reviewing the reasonableness of management's methodology. • Testing the calculation of Native Forest Regeneration provision. • Ensuring re-establishment provision and corresponding regeneration forest asset are correctly recognised and disclosed.
Defined benefit obligation *Refer to notes E1, E2, E3 and E4*	
STT had employees who were members of a defined benefit superannuation scheme. STT's obligation under this scheme (less fair value of plan assets) was recognised in the statement of financial position and was valued at $20.32m at 30 June 2018. The value of the superannuation liability is significant and its estimation involves complex judgements about future events.	• Assessing the competence of the State Actuary that performed the valuation. • Evaluating information provided to the actuary. • Assessing the adequacy of relevant disclosures in the financial report.

Responsibilities of the Directors for the Financial Report

The directors of STT are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and the *Government Business Enterprises Act 1995* and for such internal control as the directors determine 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.

...3 of 5

In preparing the financial report, the directors are responsible for assessing STT'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 directors either intend to liquidate STT or to cease operations, or have no realistic alternative but to do so.

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 the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of STT's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on STT's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause STT to cease 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.

I communicate with the directors 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 my audit.

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ric De Santi
Deputy Auditor General
Delegate of the Auditor-General

Tasmanian Audit Office

13 August 2018
Hobart

Information Tables

TABLE 1:
Land Reservation in Tasmania by Forest Type[5]

	Tasmania			Publicly managed land [3]			PTPZ [4] land				
Forest type [1] ('000's hectares)	Total (ha)	Area reserved (ha)	%	Total (ha)	Area reserved (ha)	%	Total (ha)	Area reserved (ha)	%	Non-production (ha)	Production (ha)
Tall native Eucalypt forest: Eucalypt forest with current or potential height of 34 metres or more	892	456	51%	739	443	60%	333	47	14%	68	218
Short native Eucalypt forest: Eucalypt forest with current or potential height of less that 34 metres	1,496	748	50%	857	682	80%	184	34	18%	45	106
Rainforest: Cool temperate rainforest with no significant ***Eucalypt or Acacia spp.***	554	491	89%	537	490	91%	62	17	27%	25	19
Other native forest: Including ***Acacia, Melaleuca spp.*** etc.	155	93	60%	124	91	73%	38	8	21%	18	12
Hardwood plantation	223	0	0%	56	0	0%	54	0	0%	0	53
Softwood plantation	76	1	1%	54	1	2%	53	0	0%	0	53
Non forest [2]: Including scrub, moorland, farmland, rock and lakes	3,405	1,565	46%	1,770	1,543	87%	88	16	18%	52	21
Total	**6,799**	**3,365**	**49%**	**4,137**	**3,253**	**79%**	**812**	**126**	**16%**	**204**	**482**

Notes:

- *All areas are rounded to thousands of hectares. Figures in the 'Total' rows are not the sum of the columns but the rounded actual totals.*
- *The areas for forest are derived from detailed forest type mapping, which is continually updated. Generally, mapping on PTPZ land is updated annually, but remapping of other tenures is less frequent.*
- *Areas reported in this table include land, inland waterbodies and islands. Macquarie Island, sea and marine estuaries are excluded.*

1. *Private property forest areas are as advised by Private Forests Tasmania (PFT), and generally reflect forest mapping as at December 2014.*
2. *Because this table is derived from the spatial integration of several independently compiled datasets, some spatial discrepancies have been inherited. Areas where neither PFT nor STT forest data extends to the DPIPWE coastline are recorded as Non forest.*
3. *'Publicly managed land' includes land owned by, or vested in, the HEC, Sustainable Timber Tasmania and Commonwealth & Tasmanian Governments; municipal reserves; and municipal and private lands managed by the Wellington Park Management Trust.*
4. *Permanent Timber Production Zone land as defined under the* Forest Management Act, 2013.
5. *Republished from Forestry Tasmania's 2017/17 Annual Report.*

TABLE 2:
Forest values management on PTPZ land

Special Management Zone within wood production areas	Area (hectares)
Biodiversity	23,070
Cultural Heritage	10,540
Geoconservation	42,870
Landscape	42,500

Aboriginal heritage sites	Number
Identified in 2017/18	-
On PTPZ land	710

Historic heritage sites	Number
Identified in 2017/18	29
On PTPZ land	1,501

Soil and geo-conservation management	Area (hectares)
Designated unavailable for wood production due to erosion risk	4,825
Managed for soil and geo-conservation values	79,324

TABLE 3:
Landscape Context Planning System Performance

Metric	Achieved (%)
Coupes meeting dispersal metric prescription	100%
Coupes meeting the long term retention metric prescription	91%
Average % of forest retained for the long term within 1km radius surrounding harvested coupes	31%

For more information see www.sttas.com.au/forest-operations-management/managing-forest-values/landscape-context-planning-system

TABLE 4:
Plantation Area Statement

	Area (hectares)	
Ownership as at 30 June 2018	**Softwood**	**Hardwood**
Sustainable Timber Tasmania plantation on PTPZ land	2,546	23,098
Sustainable Timber Tasmania plantation on private land	-	220
Sustainable Timber Tasmania joint venture on PTPZ land	7,442	730
Sustainable Timber Tasmania joint venture on private land	97	168
Tassie Trees Trust plantation on PTPZ land	304	641
Private plantation on PTPZ land	43,816	28,328
Total 2017/18	**54,205**	**53,185**

TABLE 5:
Hardwood Plantation Thinning

Total area thinned (hectares)	Proportion meeting quality standard (%)
1,507	79%

TABLE 6:
Pesticide Usage

Purpose of application	Area treated (hectares)
Plantation insect control	502
Plantation thinning	-
Plantation post-plant weed control	-
Plantation pre-plant weed control	-
Native forest pre-burn fine fuel treatment	67
Firebreak maintenance	4
Declared weed eradication	8

Active Ingredient	Amount applied (kilogram of active ingredient)
Glyphosate	172.92
Triclopyr	6.96
Alpha cypermethrin	10.97
Clopyralid	0.02
Mesulfuron methyl	1.68
Picloram	0.68
Aminopyralid	0.54

Excludes nursery applications

Water Quality Sampling	Number
Pesticide operations sampled	2
Water quality samples submitted for independent analysis	5
Exceedences of Australian Drinking Water Guidelines	-

TABLE 7:
Fertiliser Usage

Nutrient type	Amount applied (kilogram of active ingredient)
Nitrogen	8.0
Phosphorus	1.8
Potassium	5.0

Excludes nursery applications

TABLE 8:
Fuel and chemical spills

Number of fuel or chemical spills in 2017-18	1

15 litre diesel spill from ruptured tank was contained and treated. No environmental harm occurred.

TABLE 9:
Forest Health

Hardwood plantation area identified in 2017/18 with moderate or severe impact	Area (hectares)	
Health issue	**Moderate**	**Severe**
Soil fertility/site	-	-
Insect damage	2,954 [1]	58
Multiple causes	- [2]	-
Climate/environmental	58	-
Unknown	-	-
Silvicultural	-	-
Mammal damage	-	-
Fungal diseases	- [3]	23
Weeds (incidence)	-	21 (11) [4]

1. *Although leaf beetle (Paropsisterna spp.) populations remained reasonably low in the north of the state there were large populations in the central south where severe wet weather hampered control operations. Populations and damage levels appear to be on the rise again following historically low levels in recent years. The eucalyptus weevil Gonipterus scutellatus remains active in the south of the state although damage levels were less than last year.*
2. *The continuing decrease in the "Multiple causes" category largely reflects the successful remediation of poor crown density caused by an interaction of leaf beetle and fungal defoliation. Epicormics in thinned plantations caused by a combination of stressors are now developing into branches. Trees are healthy and crowns have recovered, no remedial action is to be taken so this was not recorded as a problem this year.*
3. *Normal, drier summer conditions saw the maintenance of better crown density and a low incidence of foliar fungal pathogens such as Teratosphaeria spp. Surveys indicate that forests managed by STT remain free of the exotic fungal pathogen myrtle rust (Puccinia psidii).*
4. *The first figure represents the area of issues such as intra-plantation competition from native weeds; the figure in brackets is the number of new records, or reappearance after treatment, for declared/environmental weeds on PTPZ land managed by STT.*

Leaf Beetle Integrated Pest Management System 2017/18	Area (hectares)
Area Monitored [1]	4,984
Area Monitored that was above control threshold	895
Area Monitored above threshold and treated with alpha-cypermethrin	352
Total area treated [2]	502
Area Monitored above threshold with effective natural control	32
Area Monitored above threshold and not treated	511
% monitored area sprayed	10%

1. *The total area monitored continues to decrease largely due to the ageing of the plantation estate.*
2. *Scheduled control operations were hampered by severe weather conditions and heavy rainfall.*

Long term retention areas on PTPZ land health and integrity assessment	Presence of damage symptom (%)			
Damage symptom	**None**	**Low**	**Moderate**	**Severe**
Burnt	84	10	4	2
Overstorey wind	94	6	1	0
Midstorey wind	70	22	6	2
Understorey wind	53	36	7	4
Weeds	62	31	6	0
Illegal harvest	89	8	2	1
Other	85	14	1	0
Overstorey canopy condition	74	20	5	1
Midstorey canopy condition	62	24	9	5
Understorey canopy condition	82	12	3	3

Gross reserve area sampled (hectares)	7,400

TABLE 10:
Access to PTPZ land

Roading Activity 2017/18	Length (kilometres)
New roads constructed	34.9
Roads maintained	2,831

Leases and Licences on PTPZ land	Number
Total leases, licences and easements	571
Leases, licences and easements currently subject to negotiation	34

Apiary sites on PTPZ land	Number
Total	308
Increase/(Decrease) from previous year	17

Forest Activity Assessments conducted in 2017/18	Number
Assessments conducted	71

TABLE 11:
Bushfire Management

Bushfire 2017/18	Area (hectares)
PTPZ land burnt by bushfires	1,866

Number of bushfires attended (all tenures)	43

Contribution to State bushfire fighting effort 2017/18	Control effort (person hours)
General firefighting activites as crew members, strike team leaders, heavy tanker drivers and tree fellers	6,028
Incident management teams as incident controllers, and in planning roles such as mapping, resourcing and behaviour prediction	1,422
Divisional or sector command	1,332
Total	**8,782**

TABLE 12:
Planned Burning

Planned burns conducted on PTPZ land 2017/18	Number	Area (hectares)
Fuel reduction and ecological	9	2,800
Low intensity regeneration	57	3,172
High intensity regeneration	84	2,673

Air quality monitoring	Number
Planned burn season	15 March 2018 to 15 June 2018
Exceedances of national air quality standard at BLANkET sites during planned burn season	132
Exceedances that STT planned burning may have contributed	1
Air qualiy complaints received by EPA during planned burn season	10
Air quality complaints that STT planned burning may have contributed	2

TABLE 13: Emissions

Energy usage and resulting CO2-equivalent emissions from transport and electricity usage 2017/18		
Source	**Usage (litres or kilowatt hours)**	**CO2-e**
Unleaded	4,265	10,166
Diesel	287,678	781,858
Oil	2,271	6,696
Electricity	73,307	8,797
Total		**807,517**

Note: Estimates based on Australian Government Department of the Environment and Energy, 2017 National Greenhouse Accounts Factors

TABLE 14: Native forest harvested

Native forest type harvested	Harvest type	Area harvested (hectares)
Regrowth	Partial	3,760
Old growth	Partial	347
Regrowth	Clearfell	1,561
Old growth	Clearfell[1]	59

1. *Where mapped old growth is less than 25% of coupe*

TABLE 15: Wood Production

Category	Product	Sub-product	Quantity	Unit
Native Forest	High quality sawlog	Appearance grade sawlog (Cat 1&3)	118,229	cubic metres
		Construction grade sawlog (Cat 1&3)	10,301	cubic metres
		Sliced veneer grade	873	cubic metres
		Total	**129,403**	**cubic metres**
	Sawlog	Sawlog (Cat 2&8)	37,591	cubic metres
	Posts, poles and piles		7,029	units
	Dometic peeler billets		174,182	tonnes
	Pulpwood		795,581	tonnes
	Firewood		7,588	tonnes
	Other products (e.g. bark, sawdust)		8,054	tonnes
	Special species timber and craftwood		10,233	cubic metres
Hardwood Plantation	High quality sawlog		717	cubic metres
	Pulpwood		162,244	tonnes
Softwood Plantation[1]	Sawlogs		40,805	cubic metres
	Pulpwood		152,516	tonnes
Grand total [2]			**1,525,943**	**tonnes**

1. *Softwood quantities includes production by private growers on Permanent Timber Production Zone land where Sustainable Timber Tasmania receives stumpage royalties.*
2. *Production figures do not include wood product purchases of 15,552 tonnes from the private sector for provision to Sustainable Timber Tasmania customers.*

TABLE 16:
Special Species Production

Species	Volume (cubic metres)
Blackwood	9,017.6
Celery top pine	540.9
Myrtle	205.2
Blackheart sassafras	190.3
Huon pine	131.4
Huon pine craft wood	18.4
Silver wattle	96.8
White sassafras	7.7
Other (species unknown)	24.7
Total	**10,233**

TABLE 17:
Regrowing native forest

Site preparation type	Area assessed (hectares)	Proportion meeting quality standard (%)
Clearfell	2,496	93%
Partial harvest	4,256	99%

Seed sown[1]	
Area sown (hectares)	2,652
Quantity sown (kilograms)	2,555
Proportion of seed collected from on site	28%
Proportion of seed collected from in-zone	72%
Proportion of seed collected out-of-zone	-

1. Seed is only applied to areas where natural seedfall is likely to be insufficient for regrowing the forest

Regrowing success	Area stocked (hectares)					Total
Forest Type	**0 to 9%**	**10 to 39%**	**40 to 64%**	**65 to 84%**	**85 to 100%**	**(hectares)**
Dry eucalypt [1]	-	30	218	248	29	525
Wet eucalypt [1]	-	-	116	1,184	393	1,692
High altitude *E. delegatensis* [1]	-	-	96	1,752	-	1,848
Fenced intensive blackwood [1]	-	-	-	55	46	101
Swamp blackwood [2]	-	-	-	-	-	-
Rainforest [2]	-	-	-	-	-	-
Huon pine [2]	-	-	-	-	-	-
Total	**-**	**30**	**430**	**3,238**	**468**	**4,166**

Proportion of Area Met Standard	94%

1. Reported at age three years
2. Reported at age five years

TABLE 18:
Staff numbers

Staff as at 30 June 2018	Number
Headcount	149
Full time equivalents	143

TABLE 19:
Safety performance

Safety performance	2017/18
Number of workers compensation claims	8
Cost of workers compensation claims	$19,987
Cost of claims as a proportion of gross wages	0.07%
Lost Time Injury Frequency Rate (LTIFR)	3.65
Medical Treatment Injury Frequency Rate (MTIFR)	25.56
Harvesting contractor's Lost Time Injury Frequency Rate	14.59

TABLE 20:
Stakeholder engagement activity

Stakeholder Groups	Events in 2017/18	Number of Stakeholders
Community	117	979
Neighbours	96	428
Recreational	65	329
Commercial Users	42	246
Environmental	32	193
State Government	32	268
Industry	28	184
Business	27	148
Tourism	26	158
Contractors	22	134
Scientific	19	131
Educational	17	391
Local Government	16	381
Suppliers	11	1,063
Customers	10	201
Media	7	33
Federal Government	5	34
Aboriginal	5	67
Total	**374**	**4,508**

TABLE 21:
Education, research and community funding

Contributions to forest education	value ($)
Forest Education Foundation	$316,000
Research funding	
University of Tasmania	$67,000
State Fire Commission (Contribution to Bushfire CRC Program)	$31,800
Fire Research Fund	$20,000
Community sponsorship	
Speak up Stay Chatty	$5,000
Tasmanian Axemans' Association	$10,000
National Tree Day (seedlings)	$2,200
Tasmanian Sail Training Association (Lady Nelson)	$2,000
Total	**$454,000**

Note: Figures are GST exclusive

TABLE 22:
Buy local and payment of accounts

Buy local	
Proportion of total purchases from Tasmanian businesses	75%
Value of purchases from Tasmanian businesses ($ millions)	$110.06
Number of Tasmanian businesses paid	700

Payment of Accounts	
Creditor days	17
Number of accounts due for payment	7,490
Number of accounts paid on time	6,113
Amount due to payment ($ millions)	$147.62[1]
Amount paid on time ($ millions)	$134.84[1]
Number of payments of interest on overdue accounts	2
Interest paid on overdue accounts	$70

1. *Payments made after the due date for payment required further action prior to final payment being made. For example, invoices may have been incomplete, inaccurate or included disputed transactions.*

TABLE 23:
Overseas Travel

Overseas travel	2017/18
Number of overseas trips by directors or staff	-
Total cost of overseas trips	-

TABLE 24:
Superannuation

Superannuation certification
Sustainable Timber Tasmania complied with its obligation under the *Superannuation Guarantee (administration) Act 1992* in respect of employees of Sustainable Timber Tasmania who are members of complying superannuation schemes.

TABLE 25:
Consultancies

Consultancies valued at more than $50,000 (excl GST)

Name	Location	Description	Amount
Abetz Curtis	Hobart	Plantation sale professional advice	$71,111
Indufor	Melbourne	Plantation sale professional advice	$61,056
Johnson Winter & Slattery	Melbourne	Plantation sale professional advice	$60,986
Dever's List	Melbourne	Contract dispute professional advice	$53,655
Total			**$246,808**

Consultancies valued at less than $50,000 (excl GST)

Number	Total
14	$169,228

TABLE 26:
Information disclosures

Right to Information Disclosures	Number
Applications for assessed discolsure received	6
Applications for assessed discolsure refused	-
Applications for assessed discolsure relating to exempt information in full or part. Exempt information provisions: Section 31 (1); Section 35 (1); Section 37 (2); Section 38 (4); Section 39 (1); Section 40 (1)	4
Applications reviewed internally and the outcomes of the reviews: upheld in full (1) upheld in part (0)	1

Public Interest Disclosures	Number
Public interest disclosures	-
Assessed disclosures	-
Active disclosures	-
Required disclosures	-
Routine disclosures	-
Public interest disclosures investigated by Sustainable Timber Tasmania	-
Disclosed matter referred to Sustainable Timber Tamania by the Ombudsman	-
Disclosed matters referred to the Ombudsman	-
Disclosed matters taken over by the Ombudsman	-
Disclosed matters that Sustainable Timber Tasmania decided not to investigate	-
Disclosed matters substainted on investigation and action taken	-
Recommendations of the Ombudsman under this Act that relate to Sustainable Timber Tasmania	-

TABLE 27:
Community Service Obligations

Sustainable Timber Tasmania performs a range of community service obligations for the benefit of the wider community.

Community Service Obligation	Government Funding ($ millions)
Contributing to statewide fuel reduction burning and fire management	2
Provide assistance with state fire management in the prevention, preparation and detection of bushfires; Supervising and conducting bushfire suppression on non-production forest and adjoining lands	2
Ensuring that Permanent Timber Production Zone land continues to be managed, accessible and available for multiple uses	12.2
Total	**16.2**

Snapshot

	2016/17	2017/18
Forest estate ('000 hectares)		
Permanent Timber Production Zone land	812	**812**
Land available for wood production	482	**477**
Other areas of native forest [1]	208	**213**
Managed for reservation [2]	121	**121**
Public land managed by Sustainable Timber Tasmania [3]	8	**8**
Private land managed by Sustainable Timber Tasmania [4]	1	**1**
Total Sustainable Timber Tasmania managed land	821	**821**
Forest types ('000 hectares)		
Native forest	711	**706**
Hardwood plantation [5]	53	**53**
Softwood plantation [5]	54	**54**
Area harvested in financial year		
Native forest - selective harvesting (hectares)	3,163	**4,107**
Native forest - clearfell harvesting (hectares)	2,212	**1,620**
Hardwood plantation (hectares)	2,634	**1,596**
Regrowing forest		
Native forest treated for regeneration (hectares)	5.8	**6.8**
Wood production		
Total Production (cubic metres and tonnes)	1,432,501	**1,525,943**
High Quality sawlog (cubic metres)	117,592	**129,403**
Native forest sawlog Cat. 2 & 8 (cubic metres)	32,987	**37,591**
Native forest Posts, poles & piles (units)	3,269	**7,029**
Native forest High grade domestic peeler (tonnes)	167,547	**174,182**
Native forest pulpwood (tonnes)	734,195	**795,581**
Firewood (cubic metres)	10,228	**7,588**
Other products (e.g. bark, sawdust) (tonnes)	3,920	**8,054**
Special species timber and craftwood (cubic metres)	8,668	**10,233**
Hardwood plantation (sawlog and pulpwood) (tonnes)	194,525	**162,961**
Softwood plantation (sawlog and pulpwood) (tonnes)	159,560	**193,321**
Fire management services		
Number of bushfires attended	36	**43**
PTPZ land burnt by bushfires (hectares)	2,995	**1,866**
Hours devoted to firefighting	3,074	**8,782**
Cost of suppresion (current values $'000)	548	**1,222**
Fuel reduction burns completed on PTPZ land (hectares)	2,285	**2,808**

	2016/17	2017/18
Access to the forest		
New roads constucted (kilometres)	40	**34.9**
Roads maintained (kilometres)	3,809	**2,831**
Finance – Comprehensive Income ($'000)		
Revenue		
Revenue from sale of forest products	121,536	**144,862**
Government funding (excluding deficit funding)	11,788	**16,179**
Other income	4,748	**23,073**
Finance income	320	**1,015**
Forest valuation increase	-	**26,624**
Total revenue	147,067	**211,753**
Expenses		
Expenses from operations	(148,212)	**(160,019)**
Finance expense	(4,731)	**(1,236)**
Forest valuation decrease	(47,597)	**-**
Total expenses	(200,540)	**(161,290)**
Total comprehensive income (expense)	(24,073)	**49,008**
EBITDAR	4,087	**28,457** [6]
Finance – Financial Position ($'000)		
Borrowings (net of cash)	(26,090)	**-**
Biological assets	161,200	**130,800**
Net Assets	112,569	**161,577**
Finance – Cash Flow ($'000)		
Operating cash flows	(8,518)	**12,317**
Investing cash flows	(7,926)	**59,132**
Financing cash flows	15,400	**(29,800)**
Total cash flows	(1,044)	**41,649**
Employment		
Number of staff (head count)	147	**149**
Number of staff (full time equivalents: FTE)	141	**143**
Lost Time Injury frequency rate	8.72	**3.65**
Tasmanian business		
Payments to Tasmanian businesses ($ million)	98	**110**
Number of Tasmanian businesses paid	818	**700**

Notes:

1. *Areas not part of the wood resource due to such factors as non-commercial forest, excessive slope, streamside reserves, inaccessibility etc.*
2. *PTPZ land managed by Sustainable Timber Tasmania for conservation values as part of the Tasmanian CAR Reserve system.*
3. *Areas on Buckland Military Training Area managed by Sustainable Timber Tasmania.*
4. *Plantations on private land fully or jointly-owned by Sustainable Timber Tasmania.*
5. *Plantation figures include plantations over which Sustainable Timber Tasmania has no management control.*
6. *EBITDAR includes the de-recognition of revenue received in advance liability of $17.891 million (2017: nil).*

Sustainable Timber Tasmania

Level 1, 99 Bathurst Street
Hobart TAS 7000

GPO Box 207
Hobart TAS 7001

+61 (0)3 6169 2800

sttas.com.au