Sustainable Timber Tasmania

Sustainable by nature.

Annual Report 2018–19

Sustainable Timber Tasmania

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ABN 91 628769 359
ISSN 0818 4797

Published October 2019

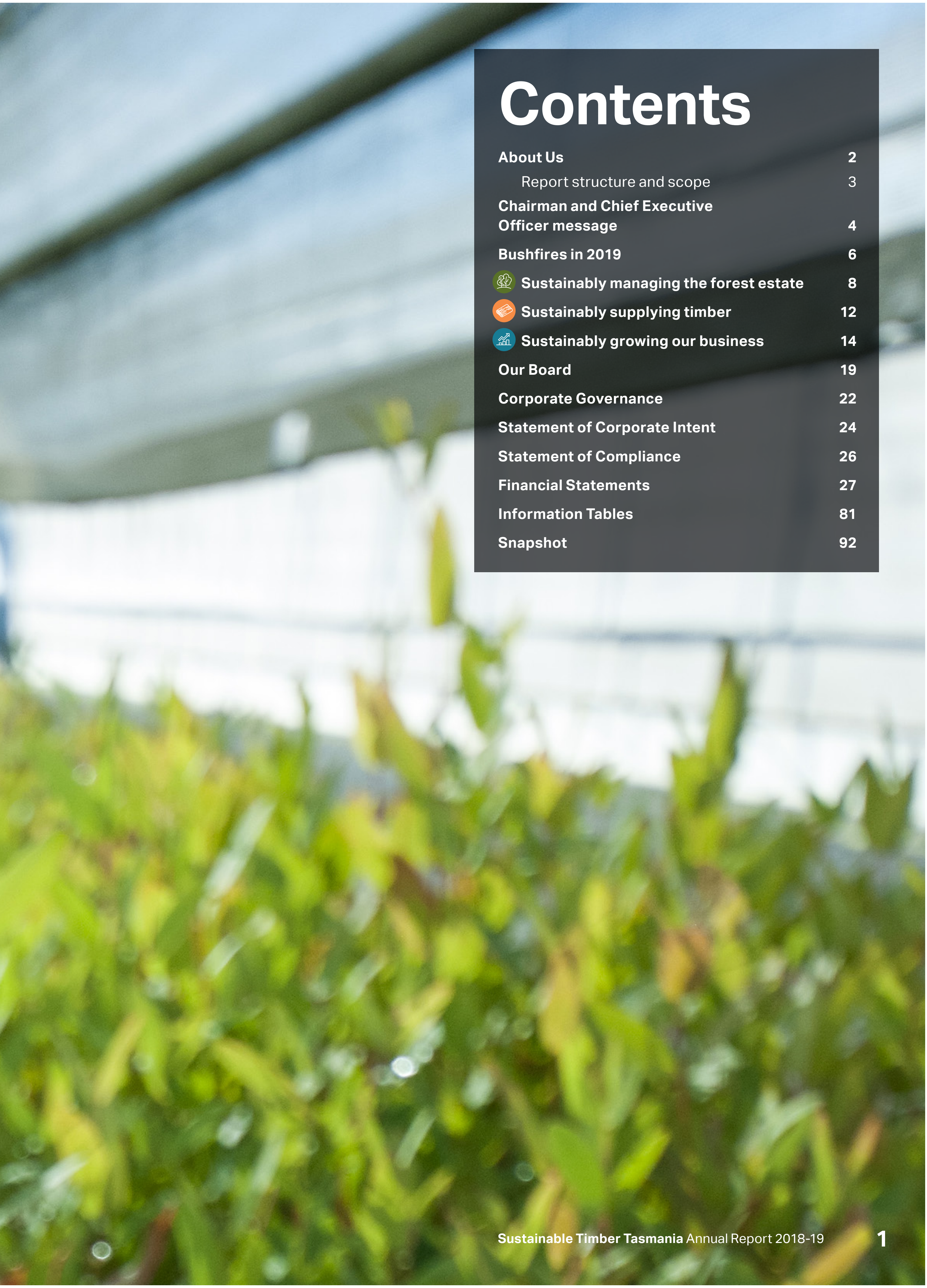
Front cover photo:
Steven Reeve, Senior Forest Officer Planning, examines epicormic growth on trees in areas of the Southern Forest that were affected by the early 2019 bushfires.

Annual Report 2018-19 produced internally by staff at Sustainable Timber Tasmania and Digital Ink.

The Ultimate Renewable

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.

Report structure and scope

This Annual Report provides a summary of Sustainable Timber Tasmania's performance for the 2018/19 financial year.

It is structured around our sustainability pillars to provide an overview of the activities on 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.

Our core activities

- Land management
- Fire management
- Sale of forest products
- Forestry road construction and maintenance

Our corporate objectives

- Achieve and maintain financial sustainability
- Professionally manage public production forests to maintain wood resource and other environmental, cultural and economic values
- Efficiently and effectively make available agreed wood volumes and other services to our customers
- Achieve zero harm to our people and contractors

Our values

Respect
We create safe spaces

Growth
We create sustainable value

Responsiblity
We take ownership

Excellence
We make it happen

From the Chairman and Chief Executive Officer

Building upon a successful first year in 2017/18, the second year of trading as Sustainable Timber Tasmania has continued along the pathway of being *Sustainable by Nature*.

The Annual Report features achievements and highlights from the 2018/2019 financial year for each of the sustainability pillars, along with our annual financial results and information disclosures. Our sustainability pillars are:

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

We recognise that employees are the key to our organisation, and we are very proud to announce we achieved Employer of Choice status this financial year. Our focus on developing our people and culture has resulted in the lowest turnover of staff in nine years. We have invested in training, a leadership and innovation conference, values reframing and the launch of an innovative health and wellbeing program, Sustainable Me, for our staff.

We had a significant fire season in early 2019 and our staff and contractors were integral to the firefighting effort, working over 66,300 hours to protect communities and forest values. About 37,000 hectares of Permanent Timber Production Zone land was impacted including the Tahune Airwalk, and the Southwood Processing Site. As a result of the bushfires, wood production decreased in comparison to the previous year due to the temporary closure of some of our larger customers.

Despite the challenge the bushfires presented our staff and contractors, total wood production for the year was just under 1.5 million tonnes, with 116,000 cubic metres of high quality eucalypt sawlogs supplied to our customers. Demand for all our products was strong and production targets were largely met. Our staff did a fantastic job in getting all of our harvesting contractors impacted by the bushfires back to work within 14 days of the fires starting.

We continue to be in a good financial position with no debt and positive operating cash flows. Our total comprehensive income was $34.9 million, we paid a $15 million special dividend and have recommended to the Government a dividend based on the 2018/19 result.

We are committed to our staff and contractors going home safe and well every day. A key strategic initiative has been the refocus on supporting our contractors to improve their safety management. Unfortunately, we did record one lost time injury for our staff, and safety remains a key challenge for our contractors.

In the environmental management area, we finalised our High Conservations Values Assessment and Management Plan, a key component of our forest management system which demonstrates how we maintain or enhance these important forest values. We maintained our Responsible Wood certification and completed a Forest Stewardship Council® audit in May 2019. Achieving dual-certification is part of our commitment to continuous improvement and the care we take in managing the public production forest estate.

During the financial year, we welcomed Kathryn Westwood to the Board as an experienced non-executive director. Following the reporting period Therese Ryan has joined the Board and we farewelled Dr Lyndall Bull, who we wish all the best in her future endeavours.

We continue to work with and support our communities and stakeholders around the state. During the year we were pleased to support the revised Good Neighbour Protocol and support the work of the Tasmanian Forests and Forest Product Network.

Finally, during the year we took a fresh look at our values and following extensive consultation with our staff a new set of values was defined that represents our organisation and our aspirations.

- Respect
- Responsibility
- Growth
- Excellence

It is our privilege to present this Annual Report that demonstrates our performance, our values and our sustainability pillars for the 2018/19 financial year.

Over 66,300
hours contributed to bushfire fighting

230 million
seeds sown

Over
116,000m³
of high quality sawlogs

3.69
Lost Time Injury Frequency Rate

$34.9 million
total comprehensive income

Steve Whiteley
Chief Executive Officer

Rob de Fégely
Chairman

Bushfires in 2019

The personal story

There are facts, statistics and lessons, but there are also personal stories of what our staff and contractors endured during the weeks of protecting communities and forest values from the bushfires.

Relentless, frightening, amazing teamwork are just some phrases used to describe what happened to them during the fires. This is their story...

"For me it started on 11 January and I remember the date as it was my wedding anniversary. At 4pm the first call came in about a fire, then at quarter past five we had another one, then another two down the West Coast. So that meant for that wedding anniversary, my wife and I ate pizza at my desk."

"Reality really set in and hit home the day we were summoned down to the crib room. We had a briefing. All firefighters weren't to go out to the bush and we were basically to look after the Geeveston township. There was a fireball coming our way. It's still a little bit raw."

"The job we are entrusted with is to put the fire out but to ultimately protect life and property so there's a fair deal of responsibility. It weighs on you very heavily - that fact you've got a lot of people that I'm in charge of to make sure they are aware of all the issues. It's a tough gig."

"There were over 80 fire trucks out on one particular day, ten helicopters and quite a few dozers. It was a big responsibility to try and get everything done in that particular time period."

"There was a particular person within our crew. He actually went to my house every day, up in the bush to see if it was still there and I can't thank him enough for that. I already knew they were amazing people to work with, but this just puts them at a different level. There's no words for it."

"The first guy I worked with he drove this great big D8. He had so much experience and he disappeared into a ball of flame and put in a containment line and he stopped the fire going north. It was amazing. He knew exactly what he was doing."

"There were times you could nearly break down and think when is this going to end? We know we had to stay strong and I couldn't show a weakness to my family. I had to hide it in me because if I worry, they will worry."

"You have a strength for a certain time but then I found myself later on getting cranky with things I normally wouldn't. It doesn't matter who you are, it certainly takes its toll."

"You go home and think what's tomorrow going to bring us and then you get through another day with an amazing team. Everyone just worked together."

"I can remember a close colleague of mine saying, as we were trying to work out how to address the issue of regeneration, 'I've just seen my life's work go up in smoke'. For a lot of people in this industry, it is a life's work because it takes a lifetime to grow."

"I got up a bit after 4 in the morning and I thought this is it. There was bark flying around and smoke and the heat. It was probably 30 plus degrees at that time in the morning. This is what they told me '67 was.

Our bushfire season

Despite the 2019 bushfires being the largest since 1967, the preparation, planning and hard work of the responding fire agencies resulted in no fatalities.

On 15 January 2019, about 2,500 dry lightning strikes were recorded across Tasmania, resulting in the ignition of 70 new fires. Response to the ignitions was coordinated by the Tasmania Fire Service, Sustainable Timber Tasmania and Tasmania Parks and Wildlife Service. Just over 200,000 hectares of Tasmania was impacted by the fires which included about 40,000 hectares of Permanent Timber Production Zone land.

Our staff worked over 46,000 hours and our contract firefighters worked over 20,000 hours to control the fires.

Our operations were significantly impacted in the southern forests, central highlands and the far northwest. Despite this, we were able to get all of harvesting contractors back to work within 14 days. Our staff did a fantastic job in maintaining business as usual meeting customer demand for product while undertaking the huge bushfire control, rehabilitation and recovery effort. This effort was underscored by an excellent safety performance on the fireground.

The Southwood Processing Site suffered severe ember attack, impacting both Neville Smith Forest Products and Ta Ann Tasmania. Just upstream along the Huon River, the forest containing the Tahune Airwalk was impacted, resulting in the closure of the tourism site until repairs can be completed.

Over time the forests will recover and their recovery will be monitored to guide our future management.

Over 2,500
lightning strikes

Over 200,000
hectares impacted statewide

Over 66,300
hours contributed to bushfire fighting

Permanent Timber Production Zone land within fire boundaries:

Riveaux Road	27,320 ha	Huon
Great Pine Tier	8,660 ha	Central Highlands
Brittons Link	1,580 ha	North West
Western Hills	1,410 ha	West Coast
Gell River	300 ha	Derwent Valley
Rapid River	70 ha	North West

Sustainably managing the forest estate

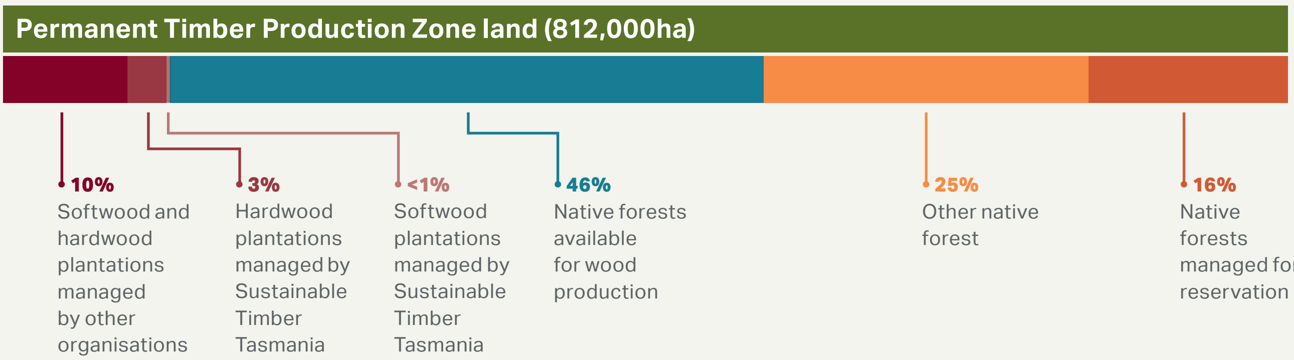
Sustainable Timber Tasmania is responsible for approximately 812,000 hectares of Permanent Timber Production Zone land and manages approximately 9,000 hectares of additional land.

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 finalised our High Conservation Values Assessment and Management Plan following extensive stakeholder engagement. This Plan details the high conservation values of the public production forests. It also describes the management processes and prescriptions we have put in place to maintain or enhance those values across the landscape.

We have extended our Landscape Planning Context system to evaluate our harvesting operations at the mid landscape scale (~20,000 hectares). The aim is to maintain and recruit appropriate levels of mature habitat, such as trees with hollows, standing dead trees and coarse woody debris. Where low levels of mature habitat occur at the mid landscape scale, we will set restrictive harvest limits to maintain existing mature habitat.

We care for the land that we manage and value the multiple uses that it can sustainably support. Many of these uses require access on our road network of over 10,000 kilometres. In 2018/19 we maintained over 4,100 kilometres 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 operations are managed responsibly to deliver social, environmental and economic benefits now and into the future. Adaptive management is fundamental; it has been important in maintaining our existing Responsible Wood certification and in applying for 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

We were one of the first organisations to have an audit against the new Australian Standard for FSC® forest management, with extensive program of inspections and stakeholder meetings in May 2019. We look forward to receiving the report from our auditors once finalised. 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

98% Compliance with Forest Practices Plan reporting

21 Forest Practices Plans audited

1,360 individual questions

96% achieved highest possible rating

Forest protection and fire management

91% of long term retained forest monitored showing no or low severity damage symptoms.

1,300 ha of fuel reduction burning in 2018-19

Over 1,100 person days provided to 34 State fuel reduction burns

57 bushfires attended

Over 66,300 person hours of firefighting activity

STT Stories

Eagle Eye Project

We aim to bring innovation to forest management. The Eagle Eye Project uses innovative technology to help with Wedge-tailed eagle management. The project will cover two breeding seasons, from 2019 to 2021.

Establishing the foundation of an information ecosystem across the Tasmanian landscape, will sow the seeds of the digital forest. The sensor and communications technology being used delivers data to the desktop, making each eagle nest seem like it is just outside the office window. Detecting eagle activity in 'real time' will be a huge step forward for surveillance, collecting data and researching. The project is testing sensors (thermal and proximity) to determine which type works best to reliably monitor and report activity in Wedge-tailed eagle nests under natural conditions over multiple years in an unobtrusive way.

We hope that the project outcomes will eventually reduce the reliance on annual nest activity checking. This checking method uses a highly experienced observer to fly low over the forest in a helicopter and close enough to view nest activity.

Seven sensors and six video cameras were installed with more to be installed in the next year.

The future use of this technology is very exciting and innovative for our industry and will benefit many other areas of our business. This is a collaborative project with other land managers and utilities.

Sustainably supplying timber

Growing, nurturing, planning, harvesting and regrowing are all important elements in the cycle of a production forest. A cycle which is the source of a wide range of renewable forest products and services.

Regrow

Regrowing the forest is one of the most important things we do. 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 2018/19:

Over **4,700**ha
prepared for regrowing

Over **160 million**
seeds sown on harvested areas

Over **65 million**
seeds sown on fire impacted areas

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 2018/19 all our regrowing efforts were successful in establishing forests for future generations.

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 2018/19 we harvested:

5,984 ha
of native forest

Less than 1%
Permanent Timber Production Zone land

Over 80%
of harvests used partial harvesting systems

1,374 ha
of plantation

$53 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:

1.5 million tonnes
in total of renewable products

Over 116,000m³
of high quality sawlogs

Over 9,700m³
of special species timber

$150 million
of forest product sales

53
Tasmanian businesses supplied

Sustainably growing our business

Our financial performance in 2018/19 benefited from favourable market conditions despite the reduction in production volumes compared to the previous financial year. The production volume reduction was a result of the bushfires in early 2019.

Favourable
market conditions

Production volumes decreased due to reduced demand for some products as two key customers were forced to shutdown as a result of the impacts of the bushfires. Bushfire fighting and recovery cost were significant at $8.3 million of which $2.4 million was funded by us and the remainder by the Tasmanian Government.

The operational improvements achieved from the restructure in prior years continues to contribute to our underlying financial performance.

Key measures of financial sustainability include Earnings Before Interest, Taxes, Depreciation, Amortisation and Revaluation (EBITDAR) and operating cash flows. The result for both measures were strong in comparison to the prior year.

During the year we paid a $15 million special dividend and have recommended to the Government a $2 million dividend based on the 2018/19 result.

Our financial sustainability is underpinned by an effective business model supported by cash reserves for future investment opportunities and to provide resilience against potential risks in the next two to three years.

$34.9 million
total comprehensive income

$15 million
EBITDAR

$14.9 million
Operating Cash Flows

Buying local

90%
of purchases were paid to

600
Tasmanian businesses, totalling over

$93 million

Safety

Our safety culture is very important to us, from our contractors and staff all the way through to the Board. We are committed to all our staff and contractors going home safe and well every day. Our staff continue to embrace safety as a key priority which is evident in our safety performance:

1
Lost time injury

3.69
Lost Time Injury Frequency Rate

Record low
cost of all workers compensation claims for a second year in a row

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

The safety performance of our contractors, in particular harvest and transport contractors, continues to be a concern. We have therefore reviewed our approach to safety management. During the year we have restructured our safety team to enable these professionals to have a clearer focus on and the ability to provide greater support to our contractors. A range of initiatives have been planned and will roll out in 2019/20 aimed at getting our contractors home safe and well every day.

29.1
Harvest and haulage contractors lost time injury frequency rate

In 2018/19 we developed our Sustainable Me program. Sustainable Me is about adopting a whole person approach to supporting staff to be the healthiest that they can be. We recognise that our employees are our most valuable asset and they are impacted by their physical, mental, social and financial health and their safety. We have developed a program to both provide information, tools and support to our staff. We are striving to have a proactive and resilient workforce that supports each other to make Sustainable Timber Tasmania one of the healthiest workplaces in the state.

People and Culture

Our People and Culture team has focused on positive initiatives in the areas of shared culture, dynamic talent management and sustainable learning and development.

This focus was brought together with an inaugural staff conference to launch our Values and Sustainable Me program. The conference provided an opportunity for professional learning opportunities for all our staff in a collaborative environment.

In collaboration with ARBRE Forest Industries, a Cadet Forester program has been implemented, which aims to teach young people about the forest industry and foster growth and responsibility as they enter the workforce. We hosted three Australian School Based Apprenticeships with students completing year 12 in 2019. We were very proud to support our staff in leadership development including the Collaborative Regional Leadership and Women in Leadership programs.

The focus on developing our people and culture was recognised by the Tasmanian Employer of Choice program. We were recognised because of our focus on leadership development, genuine support for our employees, connection between management and frontline workers, employee feedback processes and the ability to embrace change.

employer of choice

Growing opportunities

There are many emerging opportunities for the business to invest in. We are exploring these as the opportunities emerge. This includes embracing technological change, maximising the value of the pruned plantation resource and capturing 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.

STT Stories

Reframing Values

Reframing our values was a considered process that joined the Board, management and employees together in a collaborative and consultative journey. We wanted everyone in our organisation to be engaged with shaping our values.

Our organisation has undergone extensive changes in the last few years, so it was timely to reflect on the values.

Our values resonate with our staff.

The nine-month process started with an employee engagement survey followed by creative workshops that a third of the organisation participated in.

Our values are important because they shape the way our employees interact both with each other and stakeholders and provides a framework for decision making.

Staff meetings feature 'Values Moments and Dilemmas' discussions that encourage sharing examples of employees living the values.

Our Values

RESPECT – We create safe spaces

I can be myself at work, I raise concerns and ideas in a manner that considers others.

We cultivate a safe environment by supporting each other, demonstrating openness, sensitivity and inviting other viewpoints.

Sustainable Timber Tasmania values the needs and well-being of all our people, customers and the environment, creating a workplace that supports physical and psychological health, providing opportunities for everyone to contribute and be themselves.

RESPONSIBILITY – We take ownership

I have personal integrity; I am honest in my words and actions.

We own the impact of our actions and dependably deliver agreed outcomes.

Sustainable Timber Tasmania consistently delivers on our agreements to fulfil our commitment to being a good steward of Tasmania's forests.

GROWTH – We create sustainable value

I am committed to ongoing learning and continuous, targeted improvement.

We are forward thinking, proactively identifying new ideas to create efficiency and value.

Sustainable Timber Tasmania strives to build value that supports environmental, social and economic sustainability.

EXCELLENCE – We make it happen

I adapt to changing situations and persevere to find the best way to get the job done.

We collaborate to solve problems and find solutions to achieve high quality and efficient outcomes.

Sustainable Timber Tasmania strives to meet and exceed expectations of customers and stakeholders to contribute to the ongoing prosperity of our communities and Tasmania.

STT Stories

Working with beekeepers

We work collaboratively with the apiary industry peak body, the Tasmanian Beekeepers Association, on leatherwood resource management including providing access via an extensive road network. We assist with site management and helping to identify new apiary sites. In May 2019, the Tasmanian Beekeepers Association endorsed *Planning Guidelines for Apiary Values.* The guidelines provide principles that assist our planners in the management of apiary values across Tasmania's production forest landscapes.

In early 2019, the beekeeping industry was directly and indirectly affected by the bushfires through lack of access and safety concerns. We extended an offer to waive hive fees for the next season for affected beekeepers.

Tasmanian Beekeepers Association President Lindsay Bourke said the Association and Sustainable Timber Tasmania work very closely and effectively together and want to continue to do so.

"I'm very positive about this relationship and I wish that Sustainable Timber Tasmania could help other land managers with site management," he said.

"We work together to make sure not too many people overcrowd each other and want to make sure people do the right thing on the sites.

"We are so keen to see Sustainable Timber Tasmania get FSC® certification that the association has joined FSC® as a full member. It's in everyone's interest for Sustainable Timber Tasmania to gain certification."

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 38 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 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 2019, the Board had four Committees in operation:

Finance Audit and 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:

	Board		FARMC		ESH		RemCo		BDI	
E = eligible A = attended	**E**	**A**	**E**	**A**	**E**	**A**	**E**	**A**	**E**	**A**
Mr Rob de Fégely	12	11	-	2	-	1	5	5	4	4
Dr Lyndall Bull	12	10	-	1	4	4	5	5	4	3
Ms Suzanne Baker	12	12	7	7	-	-	5	5	-	-
Prof. Mark Hunt	12	12	-	-	4	4	5	4	4	4
Dr Christine Mucha	12	12	7	7	-	1	5	5	4	4
Ms Kathryn Westwood	11	9	5	5	4	3	4	3	-	-
Ms Therese Ryan (appointed 1 July 2019)	-	-	-	-	-	-	-	-	-	-

Corporate Governance

Sustainable Timber Tasmania is a Government Business Enterprise with a Board of Directors responsible to the Tasmanian Resources 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 (4th 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 together with the *Government Business Enterprise Act 1995*, 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.

Through its Remuneration and Board Nomination Committee, each year the Board evaluates its own performance, the performance of the CEO and 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. Directors are appointed by the Shareholding Ministers on recommendation from the Remuneration and Board Nomination Committee of the Board of Directors. The recommendation for appointment is made in line with the Tasmanian *Government's Board Appointments Guidelines and Procedures*. The Board has a skills matrix and succession plan to achieve a Board with a range of skills that will add the best value.

The CEO is not a member of the Board and the positions of Board Chair and CEO are held by different people.

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

Sustainable Timber Tasmania has a Board approved People and Culture Strategy, and Values which instil and reinforce a culture of acting lawfully, ethically and responsibly. The Board actively monitors the culture through quarterly People and Culture Reports.

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, enables Sustainable Timber Tasmania to meet 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 comprises 3 members, all of whom are non- executive directors. The Committee Chair is not the Board Chair but is an independent non-executive Director with financial qualifications and experience. 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 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 so 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 and 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 test whether 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 and 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 and Risk Management Committee's responsibilities.

Principle 8: Remunerate fairly and responsibly

The Board has a Remuneration and Board Nominations Committee comprising all non-executive directors and chaired by the Board Chair. The Committee'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. The Remuneration and Board Nominations Committee 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 2018/19

The Statement of Corporate Intent sets out the key financial and non-financial performance targets to be met by Sustainable Timber Tasmania in 2018/19. The targets are agreed with Sustainable Timber Tasmania's shareholders. The 2018/19 results compared to targets are presented in the following table.

Financial and Non-Financial Performance Targets

	Target 2018-19	Result 2018-19	Comment
EBITDAR[1] ($ million)	4.4	15	Exceeded target, benefited from favourable market conditions
Net cash flow from operations ($ million)	3.4	14.9	Exceeded target, benefited from favourable market conditions
High quality eucalypt sawlogs (cubic metres)	130,000	116,025	Met demand for all customers
Special species sawlogs (cubic metres)	8,400	9,747	Exceeded target. Favourable conditions for blackwood harvesting and strong customer demand. Includes 534.6 cubic metres of craftwood and other products
Native forest regenerated (hectares)	5,400	4,763	Met required needs, all native forest areas harvested were prepared for regeneration
Thinning of plantations for future sawlog production (hectares)	1,900	1,160	Target not met. Output was limited by contractor productivity
Forestry road construction to deliver customer commitments (kilometres)	Up to 48	33.5	Met required needs
Forestry road maintenance to deliver customer requirements, plus non-commercial maintenance to provide continued public access (kilometres)	Up to 4,000	4,123	Met required needs
Contribution to State prevention, preparation and detection of bushfires (percentage of employees trained and available)	≥ 70% of STT staff	75%	Met target
Lost time injury frequency rate – employees	≤10	3.69	Met target
Lost time injury frequency rate – contractors	≤10	29.1	Target not met, we will make additional investment

1 *Earnings before interest, taxation, depreciation, amortisation and asset/liability revaluation.*

8 October 2019

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 2019.

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

Financial Statements

2018/19

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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 2019. 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 Fégley	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	31 July 2019
Kathryn Westwood	Director	1 August 2018	
Therese Ryan	Director	1 July 2019	

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 total comprehensive income of $34.9 million for the financial year ended 30 June 2019 as compared to the total comprehensive income of $49 million for the financial year ended 30 June 2018.

Dividends

The Organisation paid a Special Dividend of $15 million under *Section 86 of the Government Business Enterprise Act 1995* on 3 December 2018.

No ordinary dividend was paid during the 2018/19 financial year in relation to 2017/18 results. The Board will advise the Treasurer and the Portfolio Minister of its recommendation for a dividend payable by the Organisation in respect of the 2018/2019 financial year within 60 days of the end of the financial year.

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.

Events subsequent to balance date

Ms T Ryan was appointed as a non-executive Director of the Organisation effective from 1 July 2019. Dr L Bull gave notice of resignation as a non-executive Director prior to balance date with effect on 31 July 2019.

Director and executive remuneration

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

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 8th day of August 2019.

Signed in accordance with a resolution of Directors:

Rob de Fégely
Director

Suzanne Baker
Director

Statement of Comprehensive Income

Sustainable Timber Tasmania
For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Revenue	B1(a)	**177,407**	166,223
De-recognition of revenue received in advance		**-**	17,891
Finance income	B1(f)	**1,564**	1,015
Biological asset valuation increment	C1	**43,371**	26,624
Total revenue		**222,342**	211,753
Expenses			
Expense from operations	B1(c),(d),(e)	**(165,875)**	(160,019)
Finance expense	B1(f)	**(1,064)**	(1,236)
Loss on sale or disposal of assets	B1(g)	**(265)**	(35)
Total expenses		**(167,204)**	(161,290)
Net profit/(loss) before tax		**55,138**	50,463
Income tax (expense)/benefit on net profit / (loss)	B2	**(16,637)**	(2,727)
Net profit/(loss) after tax		**38,501**	47,736
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Increase/(decrease) in the revaluation of land and buildings	D4	**935**	13
Gain/(loss) on remeasurement of defined benefit liability	E4	**(6,045)**	1,805
Income tax on revaluation of land and buildings	B2	**(281)**	(4)
Income tax on remeasurement of defined benefit liability	B2	**1,814**	(542)
Total items that will not be reclassified to profit or loss		**(3,578)**	1,273
Total comprehensive income/(expense) for the year attributable to the equity holders of the parent		**34,924**	49,008

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

Statement of Financial Position

Sustainable Timber Tasmania
As at 30 June 2019

	Note	2019 $'000	2018 $'000
Current Assets			
Cash and cash equivalents	D1(a)	**40,127**	45,359
Trade and other receivables	D2	**22,505**	12,578
Inventories	D3	**13,464**	7,974
Biological assets	C1	**11,375**	7,583
Total Current Assets		**87,471**	73,494
Non Current Assets			
Trade and other receivables	D2	**1,454**	1,551
Biological assets	C1	**163,925**	123,217
Property, plant and equipment	D4	**14,245**	13,668
Other investments	D5	**5**	5
Deferred tax asset	B2	**-**	-
Total Non Current Assets		**179,629**	138,441
Total Assets		**267,100**	211,935
Current Liabilities			
Trade and other payables	D6	**18,870**	7,846
Revenue received in advance	D7	**3,423**	3,240
Interest bearing liabilities	D8	**-**	-
Re-establishment provision	C2	**2,741**	2,074
Employee benefits	E2	**3,310**	3,087
Total Current Liabilities		**28,344**	16,247
Non Current Liabilities			
Revenue received in advance	D7	**6,386**	6,452
Re-establishment provision	C2	**5,580**	4,183
Employee benefits	E3	**26,849**	20,126
Deferred tax liability	B2	**18,440**	3,350
Total Non Current Liabilities		**57,255**	34,111
Total Liabilities		**85,599**	50,358
Net Assets		**181,501**	161,577
Equity			
Contributed equity		**371,568**	386,568
Reserves		**6,860**	6,206
Retained earnings / (Accumulated losses)		**(196,928)**	(231,197)
Total Equity		**181,501**	161,577

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

Statement of Cash Flows

Sustainable Timber Tasmania
For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Inflows:			
Cash receipts from customers		**152,634**	154,943
Government funding	B1(a)	**21,897**	16,179
Interest received		**1,288**	1,015
Outflows:			
Payments to suppliers		**(144,271)**	(145,442)
Employee costs		**(15,572)**	(13,328)
Redundancy payments		**(94)**	(372)
RBF annuity payments		**(114)**	-
RBF lump sum payments		**(677)**	(312)
Borrowing costs paid		**(203)**	(366)
Net cash provided by / (used in) operating activities	D1(b)	**14,888**	12,317
Cash flows from investing activities			
Inflows:			
Proceeds from plantation sales		**-**	62,357
Proceeds from sale of property, plant and equipment		**100**	305
Outflows:			
Payments to suppliers and employees for biological assets		**(4,885)**	(2,810)
Payments for property, plant and equipment and other assets		**(335)**	(720)
Net cash provided by / (used in) investing activities		**(5,120)**	59,132
Cash flows from financing activities			
Outflows:			
(Repayment of) / proceeds from borrowings	D1(c)	**-**	(29,800)
Special dividend		**(15,000)**	-
Net cash provided by / (used in) financing activities		**(15,000)**	(29,800)
Net increase/(decrease) in cash and cash equivalents held		**(5,232)**	41,649
Cash and cash equivalents at the beginning of the year		**45,359**	3,710
Cash and cash equivalents at the end of the year	D1(a)	**40,127**	45,359

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

Statement of Changes In Equity

Sustainable Timber Tasmania
For the year ended 30 June 2019

	Contributed Equity $'000	Property & General Revaluation Reserve $'000	Retained Earnings / (Accumulated losses) $'000	Total Equity $'000
Balance at 30 June 2017	386,568	6,230	(280,229)	112,569
Total comprehensive income for the year				
Net profit/(loss) after tax	-	-	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
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				
Dividends to equity holders	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
Balance at 30 June 2018	386,568	6,206	(231,197)	161,577
Balance at 30 June 2018	**386,568**	**6,206**	**(231,197)**	**161,577**
Total comprehensive income for the year				
Net profit/(loss) after tax	**-**	**-**	**38,501**	**38,501**
Other comprehensive income				
Increase/(decrease) in the revaluation of land and buildings	**-**	**654**	**-**	**654**
Remeasurement defined benefit superannuation liability	**-**	**-**	**(4,231)**	**(4,231)**
Total other comprehensive income	**-**	**654**	**(4,231)**	**(3,577)**
Total comprehensive income for the year	**-**	**654**	**34,271**	**34,925**
Transfer of revaluation increments on disposal of asset	**-**	**-**	**-**	**-**
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Dividends to equity holders	**(15,000)**	**-**	**-**	**(15,000)**
Total contributions by and distributions to owners	**(15,000)**	**-**	**-**	**(15,000)**
Balance at 30 June 2019	**371,568**	**6,860**	**(196,928)**	**181,501**

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

Section A: Corporate Information and Basis for Preparation

Sustainable Timber Tasmania
For the year ended 30 June 2019

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 2019 were authorised for issue by the Board of Directors on 8 August 2019.

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

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 adopted as at 1 July 2018

AASB 15 Revenue from contracts with customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related interpretations.

AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The new standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2018 and comparatives are not restated. In accordance with the transition guidance, AASB 15 has only been applied to contracts that were incomplete as at 1 July 2018.

The adoption of AASB 15 has mainly affected the following areas:

Rights of return

When a contract provides a customer with a right to return the goods within a specified period, the Organisation previously estimated expected returns using a probability-weighted average amount approach similar to the expected value method under AASB 15. Under AASB 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The Organisation uses the expected value method to estimate the goods that will not be returned. For goods expected to be returned, the Organisation presents a refund liability and an asset for the right to recover products from a customer separately in the statement of financial position.

While this represents significant new guidance, the implementation of this new guidance did not have a significant impact on the timing or amount of revenue recognised by the Organisation during the year.

On the date of initial application of AASB 15, 1 July 2018, there was no impact to retained earnings of the Organisation.

Contracts with multiple performance obligations

Many of the Organisation's contracts comprise a variety of performance obligations including, but not limited to, the quality of products sold under a forest sales agreement and the acquittal of services provided under a community service obligation.

Under AASB 15, the Organisation must evaluate the separability of the promised goods or services based on whether they are 'distinct'.

A promised good or service is 'distinct' if both:

- The customer benefits from the item either on its own or together with other readily available resources; and
- It is 'separately identifiable' (i.e. the Organisation does not provide a significant service integrating, modifying or customising it).

While this represents significant new guidance, the implementation of this new guidance did not have a significant impact on the timing or amount of revenue recognised by the Organisation during the year.

On the date of initial application of AASB 15, 1 July 2018, there was no impact to retained earnings of the Organisation.

A5 New standards adopted as at 1 July 2018 (continued)

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 *Financial Instruments: Recognition and Measurement*. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets. When adopting AASB 9, the Organisation has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

AASB 9 also contains new requirements on the application of hedge accounting. The new hedge accounting looks to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

Classification and measurement of the Organisation's financial assets

Listed equity investments - available for sale financial assets under AASB 139 included listed equity investments of $5,000 at 30 June 2018. These were reclassified to fair value through profit or loss (FVPL) under AASB 9. The Organisation did not recognise any impairment for credit losses and therefore there was no transfer from financial assets to retained earnings or financial assets reserves at 1 July 2018.

Short term deposits - available for sale financial assets under AASB 139 included short term deposits of $42,901,000 at 1 July 2018. These were reclassified to fair value through other comprehensive income (debt FVOCI) under AASB 9. At the date of initial application, the Organisation's business model is to both collect contractual cash flows and redeem the deposits. The contractual cash flows are solely principal and interest. There was no transfer from available for sale financial asset to retained earnings or financial assets reserve on 1 July 2018.

Impairment of financial assets

The Organisation's debt instruments carried at fair value through other comprehensive income (debt FVOCI) (Short term deposits) are subject to AASB 9's new three-stage expected credit loss model. The Short term deposits are considered to be low credit risk.

No impairment allowance was recognised for the Short term deposits at 1 July 2018 or 30 June 2019.

For trade receivables under AASB 15 the Organisation applies a simplified approach of recognising lifetime expected credit losses as these items do not have a significant financing component.

The impairment allowance for trade receivables was not increased at 1 July 2018.

Hedge accounting

The Organisation's forward exchange contracts had been designated as hedging instruments in cash flows under AASB 139. All hedging relationships that were hedging relationships under AASB 139 at 1 July 2018 meet AASB 9's criteria for hedge accounting at 1 July 2018 and are therefore regarded as continuing hedging relationships.

Reconciliation of financial instruments on adoption of AASB 9

The adoption of AASB 9 has not resulted in any change in the carrying value or reclassification of financial instruments from 30 June 2018 (closing) to 1 July 2018 (opening) and therefore there is no requirement to reconcile the changes in financial instruments and statements of financial position or equity.

A6 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 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 standard becomes mandatory for the Organisation's 30 June 2020 financial statements.

The Organisation intends to adopt the standard in the first financial reporting period to which the standard is first applicable to. The extent of impact, if any, that the initial implementation of the Standard 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 2019

B1 Operating Profit

B1(a) Revenue

Accounting policy

Revenue arises from the sale of forest products, the supply of leases, licenses and other forest management services and the performance of community service obligations.

To determine whether to recognise revenue, the Organisation follows a 5-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations;
5. Recognising revenue when/as performance obligation(s) are satisfied.

The total transaction price for a contract is allocated to the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Organisation satisfies performance obligations by transferring the promised goods or services to its customers. The Organisation recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Organisation satisfies a performance obligation before it receives the consideration, the Organisation recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Sale of forest products

Revenue from the sale of forest products is recognised when the Organisation has transferred control of the assets to the customer. The transfer of control of the assets to the customer 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.

Sale of leases, licenses and other forest management services

Revenue from leases, licenses and other forest management services is recognised in proportion to the stage of completion of the transaction at the reporting date. The revenue received for the allocation of forestry rights are amortised over the term of the right and recognised in the period the obligation is performed.

Performance of Community Service Obligations

Government funding is received from the Sate to contribute towards the performance of Community Service Obligations. Revenue received for the performance of Community Service Obligations is recognised in the period that the revenue is received and the performance obligations are satisfied.

Section B: Details on Financial Performance (continued)

B1(a) ***Revenue (continued)***

B1(a) ***Disaggregated revenue information:***

	Sale of forest products 2019 $'000	Sale of leases, licenses and other forest management services 2019 $'000	Performance of Community Service Obligations 2019 $'000	Total 2019 $'000
Type of goods or services				
Australia	**150,344**	**5,166**	**21,897**	**177,407**
Other countries	**-**	**-**	**-**	**-**
	150,344	**5,166**	**21,897**	**177,407**
Timing of revenue recognition				
Goods transferred at a point in time	**150,344**	**235**	**-**	**150,579**
Services transferred over time	**-**	**4,931**	**21,897**	**26,828**
	150,344	**5,166**	**21,897**	**177,407**

	Sale of forest products 2018 $'000	Sale of leases, licenses and other forest management services 2018 $'000	Performance of Community Service Obligations 2018 $'000	Total 2018 $'000
Type of goods or services				
Australia	144,862	5,182	16,179	166,223
Other countries	-	-	-	-
	144,862	5,182	16,179	166,223
Timing of revenue recognition				
Goods transferred at a point in time	144,862	188	-	145,050
Services transferred over time	-	4,994	16,179	21,173
	144,862	5,182	16,179	166,223

Section B: Details on Financial Performance (continued)

Performance of Community Service Obligations includes:

	2019 $'000	2018 $'000
Land management	**12,000**	12,179
Fuel reduction	**2,000**	2,000
Fire prevention	**2,000**	2,000
Re-imbursement of fire-fighting costs	**5,897**	-
Total revenue from the performance of Community Service Obligations	**21,897**	16,179

B1(b) Net costs incurred in the performance of Fire Prevention Community Service Obligation

	2019 $'000	2018 $'000
Fire prevention	**2,005**	-
Fire-fighting costs	**8,320**	-
Net costs incurred in the performance of Fire Prevention Community Service Obligation	**10,325**	-

Fire-fighting contractor expenses incurred in 2018 are included in Fire-fighting contractor expenses at B1(c) Expenses from operations. Employee benefits expenses in relation to fire-fighting in 2018 are included in B1(e) Employee benefits expense. In 2019, STT incurred a net fire-fighting cost of $2,423,000.

B1 (c) Expenses from operations

	2019 $'000	2018 $'000
Contractor and freight expenses	**133,042**	124,758
Fire fighting contractor expenses	**-**	1,326
Vehicle lease and associated costs	**1,508**	1,390
Property rental	**791**	694
Professional services	**1,859**	1,885
Consultancies	**225**	416
Local government rates	**1,489**	1,497
Property management	**907**	991
Equipment purchases and rentals	**1,028**	1,250
Office expenses	**631**	787
Information technology expense	**758**	791
Guarantee fees	**-**	96
Travel and accommodation	**292**	200
Operating lease rentals	**309**	238
Credit losses incurred	**352**	-
Impairment/(reversal of prior period impairment) of trade receivables	**(1,550)**	911
Impairment of inter-company loan	**296**	-
Impairment of non-current asset	**-**	97
Other expenses	**2,770**	2,451
	144,708	139,778

Fire-fighting contractor expenses incurred in 2019 are included at B1(b) Fire-fighting costs.

B1(d) Depreciation and amortisation expense

	Note	2019 $'000	2018 $'000
Plant and equipment	D4	**333**	314
Roads and road structures	C1	**3,298**	3,976
Buildings and leasehold improvements	D4	**345**	359
		3,976	4,649

Section B: Details on Financial Performance (continued)

B1(e) Employee benefits expense

	Note	2019 $'000	2018 $'000
Salaries and wages		**14,727**	12,942
Redundancy		**93**	32
Other employment related expenses		**170**	178
Contribution to accumulation superannuation funds		**1,403**	1,263
Employee service cost for defined benefit scheme	E4	**798**	1,177
		17,191	15,592
Total expenses from operations, depreciation, amortisation and employee benefits expense		**165,875**	160,019

B1 (f) 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.

	2019 $'000	2018 $'000
Recognised in profit or loss:		
Interest income	**1,564**	1,015
Total Finance income	**1,564**	1,015
Borrowing costs	**-**	(114)
Foreign exchange losses	**(203)**	(252)
Employee benefit superannuation interest costs	**(861)**	(870)
Total Finance expense	**(1,064)**	(1,236)

B1(g) (Gain)/loss on sale or disposal of assets

	2019 $'000	2018 $'000
(Gain)/loss on sale or disposal of assets	**265**	35
	265	35
Reconciliation of sale of assets		
Asset cost	**736**	1,085
Written down value	**365**	340
Proceeds from sale	**(100)**	(305)
(Gain)/loss on sale or disposal of assets	**265**	35

Section B: Details on Financial Performance (continued)

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. 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.

B2 (a) Current tax (expense)/benefit

	2019 $'000	2018 $'000
Current income tax relating to prior years	**-**	(130)
Current income tax expense/(benefit)	**(2,108)**	(25,636)
Increase/(decrease) in deferred tax asset	**581**	13,851
(Increase)/decrease in deferred tax liability	**(13,577)**	8,643
Movement posted direct to other comprehensive income	**(1,533)**	546
Movement posted direct to equity reserve	**-**	-
	(16,637)	(2,727)

Tax expense to pre tax net profit is reconciled below.

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

	2019 $'000	2018 $'000
Profit / (loss) before tax	**55,138**	50,463
Income tax (expense) / benefit using the domestic tax rate of 30% (2018:30%)	**(16,541)**	(15,139)
Expenditure not allowable for income tax purposes	**(7)**	(2)
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)
Impairment of intercompany receivable	**(89)**	-
Add non-temporary movement in superannuation investments	**-**	-
Income tax (expense)/benefit on pre tax net profit	**(16,637)**	(2,727)

B2 (c) Deferred tax balances

	2019 $'000	2018 $'000
Assets		
Non current	**31,084**	32,597
Liabilities		
Non current	**(49,524)**	(35,947)
Net deferred tax asset/(liability)	**(18,440)**	(3,350)

Section B: Details on Financial Performance (continued)

B2(d) Reconciliation of deferred tax balances

	2019					
	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	6,945	-	284	-	1,814	9,042
Other	5,907	-	(99)	-	-	5,808
Property, plant, equipment and land	12,067	-	(1,136)	-	(281)	10,650
Deferred tax losses	7,678	-	(2,094)	-	-	5,584
Transfer - deferred tax liability	(32,597)	-	-	-	-	(31,084)
Total	-	-	(3,046)	-	1,533	-
Deferred tax liabilities						
Biological assets	(34,479)	-	(13,626)	-	-	(48,105)
Inventories	(1,468)	-	49	-	-	(1,419)
Other	-	-	-	-	-	-
Transfer - deferred tax asset	32,597	-	-	-	-	31,084
Total	(3,350)	-	(13,577)	-	-	(18,440)
Net deferred tax assets/(liabilities)	(3,350)	-	(16,623)	-	1,533	(18,440)

	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
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 asset	(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)

Section B: Details on Financial Performance (continued)

B3 Dividends

Accounting policy

The Organisation may declare an ordinary dividend in accordance with its statutory requirements as determined under Part 11, Division 2 *of the* Government Business Enterprises Act *(1995).*

The Organisation paid a Special Dividend under Section 86 of the Government Business Enterprise Act *(1995) of $15 million on 3 December 2018.*

No ordinary dividend was paid during the 2018/19 financial year in relation to 2017/18 results.

The Board will advise the Treasurer and the Portfolio Minister of its recommendation for a dividend payable by the Organisation in respect of the 2018/2019 financial year within 60 days of the end of the financial year.

Section C: The Forest Estate

Sustainable Timber Tasmania
For the year ended 30 June 2019

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 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 Permanent Timber Production Zone land 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 8.50% (2018: 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.*

	2019 $'000	**2018 $'000**
Current		
Standing timber at valuation	**11,375**	7,583
Non current		
Standing timber at valuation	**150,803**	111,238
Roads and road structures	**4,801**	5,722
Re-establishment make good assets	**8,321**	6,257
	163,925	123,217
	175,300	130,800

Section C: The Forest Estate (continued)

Reconciliation of biological assets ($000)

	Forest	Make Good	Roads	Total
Carrying amount as at 1 July 2017	148,069	5,815	7,316	161,200
Additions	49	442	3,424	3,915
Reallocation	(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
Carrying amount as at 1 July 2018	**118,821**	**6,257**	**5,722**	**130,800**
Additions	**24**	**2,064**	**2,273**	**4,361**
Reallocation	**(39)**	**-**	**(419)**	**(458)**
Net movement work in progress	**-**	**-**	**455**	**455**
Depreciation	**-**	**-**	**(3,298)**	**(3,298)**
Reclassification	**-**	**-**	**69**	**69**
Revaluation	**43,371**	**-**	**-**	**43,371**
Carrying amount as at 30 June 2019	**162,177**	**8,321**	**4,802**	**175,300**

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.

	2019 $'000	2018 $'000
Current	**2,741**	2,074
Non current	**5,580**	4,183
	8,321	6,257

Section D: Details on Financial Position Items

Sustainable Timber Tasmania
For the year ended 30 June 2019

D1 Cash and Cash Equivalents

Accounting policy

Cash and cash equivalents are classified as 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.

D1 (a) Reconciliation of cash and cash equivalents

	2019 $'000	2018 $'000
For the purposes of the Cash flow statements, cash and cash equivalents comprise the following as at 30 June:		
Cash at bank	**573**	2,450
Short term deposits	**39,550**	42,901
Floats and advances	**4**	8
	40,127	45,359

D1 (b) Reconciliation of comprehensive income/(expense) after tax to net cash flows from operations

	2019 $'000	2018 $'000
Net profit/(loss) after tax	**38,501**	47,736
Add/(less) items classified as investing/financing activities:		
(Profit)/loss on disposal of non current assets	**265**	35
Add/(less) non-cash items:		
Depreciation and amortisation	**3,976**	4,649
Accrued interest	**(277)**	-
Income tax	**-**	-
Biological asset valuation increment /(decrement)	**(43,371)**	(26,624)
Impairment/(reversal of impairment) of trade receivables	**(1,550)**	910
Impairment of inter-company loan	**296**	-
Impairment of property, plant and equipment	**-**	97
Recognition/(Derecognition) of revenue received in advance	**66**	(17,939)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	**(7,359)**	(824)
(Increase)/decrease in inventories	**(5,490)**	1,043
Increase/(decrease) in trade and other payables	**11,024**	(1,677)
Increase/(decrease) in employee benefits	**(11)**	2,450
Increase/(decrease) in deferred tax liabilities	**16,637**	2,026
Increase/(decrease in re-establishment provision	**2,064**	442
Increase/(decrease) in revenue received in advance	**117**	(7)
Net cash provided by operating activities	**14,888**	12,317

Section D: Details on Financial Position Items (continued)

D1 (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 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	**-**	-

	Borrowings	Total
Carrying amount as at 1 July 2018	**-**	-
Changes from financing cash flows:		
Cash Received	**-**	-
Cash Repayments	**-**	-
Balance as at 30 June 2019	**-**	-

D2 Trade and other receivables

Accounting policy

Trade and other receivables are recognised on performance of the Organisation's obligations and measured at fair value. All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. Collection terms are generally between 30-90 days for trade receivables. The average debtor days at 30 June 2019 was 63 days (2018: 72 days).

All of the Organisation's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an (allowance)/reversal for credit losses of $ 2,471,000 (2018: $911,000) has been recognised within other expenses.

	2019 $'000	2018 $'000
Current		
Trade and other receivables	**9,688**	14,807
Less provision for impairment	**(750)**	(3,221)
Accrued revenue	**12,591**	22
Prepayments	**976**	970
Total current receivables	**22,505**	12,578
Non current		
Intercompany loan	**1,666**	1,467
Provision for intercompany receivable	**(296)**	-
Other	**84**	84
Total non current receivables	**1,454**	1,551

Section D: Details on Financial Position Items (continued)

D3 Inventories

Accounting policy

Inventories are measured at the lower of cost and net realisable value. Net realisable value is determined based on 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.

	2019 $'000	2018 $'000
Gravel stocks at cost	**2,058**	2,131
Seed and seedlings at cost	**2,281**	2,424
Timber at cost	**8,734**	3,082
Stores general at cost	**391**	337
	13,464	7,974

D4 Property, plant and equipment

Accounting policy

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 2019 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.

Section D: Details on Financial Position Items (continued)

(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.

Reconciliation of property, plant and equipment assets

	Land $'000	Buildings $'000	Plant & equipment $'000	Capital work in progress $'000	Total $'000
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**
Carrying amount at 1 July 2018	**1,912**	**9,136**	**2,606**	**14**	**13,668**
Additions	**-**	**-**	**265**	**335**	**600**
Disposals	**-**	**-**	**(112)**	**-**	**(112)**
Revaluation	**63**	**872**	**-**	**-**	**935**
Impairment	**-**	**-**	**97**	**-**	**97**
Movement in work in progress	**-**	**-**	**-**	**(265)**	**(265)**
Depreciation	**-**	**(345)**	**(333)**	**-**	**(678)**
Carrying amount at 30 June 2019	**1,975**	**9,663**	**2,523**	**84**	**14,245**
Original cost of assets 30 June 2019	**1,236**	**13,409**	**10,323**	**-**	**24,968**

D5 Other investments

	2019 $'000	2018 $'000
Non current		
Investment in Huon Valley Financials Pty Ltd	**5**	5
	5	5

Section D: Details on Financial Position Items (continued)

D6 Trade and other payables

Accounting policy

Trade and other payables are stated at their amortised cost and are considered to be a reasonable approximation of fair value. Trade payables are short term, non-interest bearing and are generally settled within 30-day terms.

	2019 $'000	2018 $'000
Current		
Trade creditors and other payables	**8,408**	6,025
Accrued expenses	**10,462**	1,821
Total current payables	**18,870**	7,846
Non current	**-**	-
Trade creditors	**-**	-

D7 Revenue received in advance

Accounting policy

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.

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.

	2019 $'000	2018 $'000
Current	**3,423**	3,240
Non current	**6,386**	6,452
	9,809	9,692

Reconciliation of revenue received in advance

	2019 $'000	2018 $'000
Tasmanian Community Forest Agreement		
Opening balance	**-**	17,891
De-recognition of liability	**-**	(17,891)
Closing balance	**-**	-
Tasmanian Forest Agreement		
Opening balance	**3,025**	3,025
Receipts	**-**	-
Tasmanian Forest Agreement implementation funding	**-**	-
Closing balance	**3,025**	3,025
Deferred income - forestry rights		
Opening balance	**6,452**	-
Receipts	**-**	6,500
Revenue recognised in comprehensive income	**(66)**	(48)
Closing balance	**6,386**	6,452
Other revenue received in advance		
Opening balance	**215**	222
Receipts	**183**	-
Other activities	**-**	(7)
Closing balance	**398**	215
Closing balance 30 June 2019	**9,809**	9,692

D8 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 its borrowings in full on 6 October 2017 on completion of the Plantation sale. The Organisation maintains the facility however the facility limit is $nil. The facility is secured by a floating charge over the Organisation's trade and other receivables.

Refer to note D2 for the carrying amount of trade and other receivables which the Organisation has pledged as security.

The Organisation has a US$2.0 million foreign currency overdraft facility to facilitate foreign currency dealings (2018: $2.0 million).

The facility was undrawn at 30 June 2019 (2018: $nil).

The Organisation has a $500,000 credit card facility limit. 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 (2018:17.99% pa) payable monthly.

The facility was drawn in the amount of $134,000 at 30 June 2019 (2018: $43,000).

D8 Interest bearing liabilities (continued)

	2019 $'000	2018 $'000
Current		
Borrowings	**-**	-
	-	-
Non-current		
Borrowings	**-**	-
	-	-
Total interest-bearing liabilities	**-**	-

	2019 $'000	2018 $'000
Financing arrangements		
The Organisation has access to the following lines of credit:		
Total facilities available:		
Credit cards	**500**	1,300
Foreign currency overdraft facility	**2,852**	2,706
Loan facility - secured	**-**	-
	3,352	4,006
Facilities used at balance date:		
Credit cards	**134**	43
Foreign currency overdraft facility	**-**	-
Loan facility - secured	**-**	-
	134	43
Facilities not utilised at balance date:		
Credit cards	**366**	1,257
Foreign currency overdraft facility	**2,852**	2,706
Loan facility - secured	**-**	-
	3,218	3,963

Section E: Employee Entitlements

Sustainable Timber Tasmania
For the year ended 30 June 2019

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 2019 is based on a corporate bond yield of 3.25% (2018: 4.30%).

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 statement of financial position 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.

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 2019. The provision also includes an allowance for incurred but unreported claims at 30 June 2019.

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

	2019 $'000	2018 $'000
Annual leave	**986**	940
Long service leave	**1,775**	1,747
Superannuation defined benefit scheme (see note below)	**534**	337
Workers compensation	**15**	63
	3,310	3,087

E3 Non current employee benefits

	2019 $'000	2018 $'000
Long service leave	**102**	139
Superannuation defined benefit scheme (see note below)	**26,747**	19,987
	26,849	20,126
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% (2018 range 2.47% to 4.01%).		
Settlement terms (years) - long service leave.	**10 years**	10 years

E4 Superannuation liability

	2019	2018
Key assumptions		
Assumptions to determine Defined Benefit Cost and start of year Defined Benefit Obligation	**4.30%**	4.35%
Discount rate (active members)	**4.30%**	4.35%
Discount rate (pensioners)	**3.00%**	3.00%
Expected rate of increase of compulsory preserved amounts	**3.00%**	3.00%
Expected salary increase rate	**2.50%**	2.50%
Expected pension increase rate		
Assumptions to determine End of Year Defined Benefit Obligation		
Discount rate (active members)	**3.25%**	4.30%
Discount rate (pensioners)	**3.25%**	4.30%
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)	3.25%	2.25%	4.25%	3.25%	3.25%
Pension increase rate (pa)	2.50%	2.50%	2.50%	1.50%	3.50%
Defined benefit obligation (A$'000s)	31,343	37,752	26,434	28,280	35,145

Section E: Employee Entitlements (continued)

	2019 $'000	2018 $'000
Profit or loss impact		
Current service cost	**798**	1,177
Net interest	**861**	870
Past service cost	**-**	-
Gain/loss on settlements	**-**	-
Defined benefit cost recognised in profit or loss	**1,659**	2,047
Other comprehensive income		
Actuarial (gains) losses	**5,571**	(1,684)
Actuarial return on plan assets less interest income	**474**	(122)
(+) Adjustment for effect of asset ceiling	**-**	-
Total remeasurements recognised in other comprehensive income	**6,045**	(1,805)
Reconciliation of the Net Defined Benefit Liability/(Asset)		
Defined Benefit Obligation	**31,343**	24,515
Fair value of plan assets	**(4,062)**	(4,191)
Deficit/(surplus)	**27,281**	20,324
Adjustment for effect of asset ceiling	**-**	-
Net defined benefit liability/(asset)	**27,281**	20,324
Current net liability	**534**	337
Non current net liability	**26,747**	19,987
Reconciliation of the Fair Value of Scheme Assets		
Fair value of plan assets at beginning of the year	**4,191**	3,744
Interest income	**185**	169
Actual return on plan assets less interest income	**(474)**	122
Employer contributions	**747**	325
Contributions by plan participants	**295**	446
Benefits paid	**(881)**	(614)
Taxes, premiums and expenses paid	**(1)**	-
Transfers out	**-**	-
Contributions to accumulation section	**-**	-
Settlements	**-**	-
Exchange rate changes	**-**	-
Fair value of plan assets at end of the year	**4,062**	4,191

Section E: Employee Entitlements (continued)

	2019 $'000	2018 $'000
Reconciliation of the Defined Benefit Obligation		
Present value of defined benefit obligation at beginning of the year	**24,515**	24,150
Current service cost	**798**	1,177
Interest cost	**1,046**	1,039
Contributions by plan participants	**295**	446
Actuarial (gains)/losses arising from changes in demographic assumptions	**-**	-
Actuarial (gains)/losses arising from changes in financial assumptions	**5,123**	204
Actuarial (gains)/losses arising from liability experience	**448**	(1,888)
Benefits paid	**(881)**	(614)
Taxes, premiums and expenses paid	**1**	-
(-) Transfers out	**-**	-
(-) Contribution by owner	**-**	-
(+) Past service cost	**-**	-
(+) Gain/loss on settlements	**-**	-
(+) Settlements	**-**	-
(+) Exchange rate changes	**-**	-
	31,343	24,515

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)
Cash deposits	180	62	118	-
Australian equity	682	682	-	-
International equities	816	630	186	-
Infrastructure	552	170	382	-
Diversified fixed interest	906	-	906	-
Property	638	-	638	-
Alternative investments	288	-	288	-
Total	**4,062**	**1,544**	**2,518**	**-**

Expected employer contributions for the year ended 30 June 2020 are $534,000 (30 June 2019: $398,000).

Section E: Employee Entitlements (continued)

	2019 $'000	2018 $'000
Current service cost		
1 Total current service cost at beginning of year	**(1,047)**	(1,555)
2 Interest for the year	**(45)**	(68)
3 Expected contributions tax and expenses	**(1)**	-
4 Expected employee contributions	**295**	446
5 Expected change in contributions tax provision	**-**	-
6 Accumulation contributions met from surplus	**-**	-
7 Current service cost	**(798)**	(1,177)
Interest expense		
1 Defined benefit obligation at beginning of year	**24,516**	24,150
2 Expected distributions	**(398)**	(509)
a. Weighted timing	**(200)**	(255)
3 Average defined benefit obligation (1-2a)	**24,316**	23,896
4 Discount rate	**4.30%**	4.35%
5 Interest expense (3 x 4)	**(1,046)**	(1,039)
Interest income		
1 Fair value of plan assets at beginning of year	**4,191**	3,744
2 Expected employer contributions	**337**	346
a. Weighted for timing	**169**	173
3 Expected employee contributions	**295**	446
a. Weighted for timing	**148**	223
4 Expected distributions during year	**398**	509
a. Weighted for timing	**200**	255
5 Expected expenses, tax and insurance premiums	**1**	-
a. Weighted for timing	**1**	-
6 Average expected fair value of assets (1+2a+3a-4a-5a)	**4,308**	3,885
7 Discount rate	**4.30%**	4.35%
8 Interest income (6x7)	**185**	169
Net interest		
1 Interest expense	**(1,046)**	(1,039)
2 Interest income	**185**	169
3 Net interest (1-2)	**(861)**	(870)
Actuarial (Gains)losses (recognised in Other Comprehensive Income)		
1 Actuarial (gain)/loss on Defined Benefit Obligation - experience	**448**	(1,888)
2 Actuarial (gain)/loss on Defined Benefit Obligation - change in demographic assumptions	**-**	-
3 Actuarial (gain)/loss on Defined Benefit Obligation - change in financial assumptions	**5,123**	204
4 Actuarial (gain)/loss (1+2+3)	**5,571**	(1,684)

Section E: Employee Entitlements (continued)

Remuneration principles

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

Non-executive Director remuneration

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 in accordance with the relevant *Guidelines for Tasmanian Government Businesses - Board Appointments*. The level of fees paid to non-executive Directors is administered by the Department of Premier and Cabinet, as is additional fees paid in respect of their work on Board committees.

Superannuation is paid at the appropriate rate as prescribed by superannuation guarantee legislation. No other leave, termination or retirement benefits are accrued or paid to Directors. Directors are entitled to reimbursement of reasonable expenses incurred.

Executive remuneration

Remuneration levels for key management personnel are set in accordance with the Director and Executive Remuneration Guidelines. Under these Guidelines, remuneration bands for Chief Executive Officers (CEOs) are determined by the Government Business Executive Remuneration Panel, reflect the principles outlined in the Guidelines, and broadly align with State Service Heads of Agency. Positioning within the bands depends on the complexity and size of the business and the environment in which the business operates. Remuneration for other senior executives is set with reference to the CEO's salary.

The CEO is appointed by the Premier and Portfolio Minister following selection and recommendation by the Board. The Board consults with the Government Business Executive Remuneration Advisory Panel when determining the CEO's remuneration package.

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 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.

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

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.

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 2019 (2018: 6 members). The Remuneration Committee of the Board is responsible for determining and reviewing compensation arrangements for members of the General Management Team.

There was 1 overseas trip completed by Directors or senior management (members of the General Management Team) during the year (2018: nil). There were no overseas trips undertaken by employees of the business during the year (2018: nil).

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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Short-term employee benefits	**388**	329	**1,331**	1,202	**1,719**	1,531
Post-employments benefits	**35**	31	**131**	120	**166**	151
Other long-term benefits	**-**	-	**42**	8	**42**	8
Termination benefits	**-**	-	**-**	-	**-**	-
	423	360	**1,504**	1,330	**1,927**	1,690

2019 Director Remuneration [1]

Non-Executive Directors Name	Position	Start Term	End Term	Director Fees $'000	Committee Fees $'000	Superannuation[2] $'000	Other Benefits[3] $'000	Total $'000
Mr R de Fegely	Chairman	01-Jun-2016		**109**	**-**	**10**	**-**	**119**
Dr C Mucha	Director	29-Apr-2013		**52**	**5**	**5**	**-**	**62**
Ms S Baker	Director	15-Dec-2015		**52**	**6**	**5**	**-**	**63**
Prof M Hunt	Director	22-Dec-2015		**52**	**5**	**5**	**-**	**62**
Dr L Bull	Director	22-Dec-2015		**52**	**5**	**5**	**-**	**62**
Mrs K A Westwood	Director	01-Aug-2018		**46**	**4**	**5**	**-**	**55**
Total				**363**	**25**	**35**	**-**	**423**

2018 Director Remuneration [1]

Non-Executive Directors Name	Position	Start Term	End Term	Director Fees $'000	Committee Fees $'000	Superannuation[2] $'000	Other Benefits[3] $'000	Total $'000
Mr R de Fegely	Chairman	01-Jun-2016		106	-	10	-	116
Dr C Mucha	Director	29-Apr-2013		51	4	5	-	60
Ms S Baker	Director	15-Dec-2015		51	4	5	-	60
Prof M Hunt	Director	22-Dec-2015		51	4	5	-	60
Dr L Bull	Director	22-Dec-2015		50	-	5	-	55
Mr B Tisher	Director	01-Jan-2018	28-Feb-2018	8	-	1	-	9
Total				317	12	31	-	360

Board remuneration notes and statements

[1] *Amounts are all forms of consideration paid, payable or provided by the entity, i.e., disclosure is made on an accruals basis as at 30 June.*

[2] *Superannuation means the contribution to the superannuation fund of the individual.*

[3] *There were no other benefits paid to Directors.*

Section E: Employee Entitlements (continued)

General Management Team Remuneration 2018-19 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 $'000	Other Non-Monetary Benefits[6] $'000	Other Long-Term Benefits[7] $'000	Total $'000
Mr S Whiteley - CEO	370	-	44	-	-	414	-	-	4	418
Mr C Brookwell - GM Corporate Services	277	-	24	-	-	301	-	-	21	322
Mr D Bartlett - GM Business Development and Strategy	190	-	18	-	-	208	-	-	4	212
Mrs S Weeding - GM Forest Management	190	-	18	10	-	218	-	-	8	226
Mr G Hickey - GM Forest Products	190	-	18	5	-	213	-	-	0	213
Ms J Nicholls (Formerly Mrs J Puig) - Company Secretary and General Counsel	99	-	9	-	-	108	-	-	4	113
Total	1,316	-	131	15	-	1,462	-	-	42	1,504

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 $'000	Other Non-Monetary Benefits[6] $'000	Other Long-Term Benefits[7] $'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 Forest 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 Counsel (commenced 1/02/18)	34	-	3	-	-	37	-	-	3	40
Total	1,190	-	120	12	-	1,322	-	-	8	1,330

Executive remuneration notes and statements

Amounts are all forms of consideration paid, payable or provided by the entity, i.e., disclosure is made on an accruals basis and includes all accrued benefits at 30 June.

1 Base salary includes all forms of consideration paid and payable for services rendered, compensated absences during the period and salary sacrifice amounts.
2 There were no short-term incentive payments paid to Executives.
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.
4 The personal use component of the total cost of providing and maintaining a vehicle for an executive's use, including registration, insurance, fuel and other consumables, maintenance cost and parking (i.e. the notional value of parking provided at premises that are owned or leased) and the reportable fringe benefits amount referable to a vehicle.
5 There were no other monetary benefits paid to Executives.
6 There were no other non-monetary benefits paid to Executives.
7 Other long-term benefits include annual and long service leave movements.

Section F: Financial Instruments and Risk Management

Sustainable Timber Tasmania
For the year ended 30 June 2019

Accounting policy

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Organisation becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- *Amortised cost*
- *Fair value through profit or loss (FVPL).*
- *Equity instruments at fair value through other comprehensive income (FVOCI).*
- *Debt instruments at fair value through other comprehensive income (FVOCI).*

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Classifications are determined by both:

- *The entities business model for managing the financial asset.*
- *The contractual cash flow characteristics of the financial assets.*

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

Subsequent measurement financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- *They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows.*
- *The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.*

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Organisation's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as short term deposits that were previously classified as held-to-maturity under AASB 139.

Financial assets at fair value through profit or loss (FVPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Equity instruments at fair value through other comprehensive income (Equity FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Under Equity FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital.

Debt instruments at fair value through other comprehensive income (Debt FVOCI)

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at debt FVOCI. Any gains or losses recognised in OCI will be reclassified to profit or loss upon derecognition of the asset.

This category includes corporate bonds that were previously classified as 'available-for-sale' under AASB 139.

Section F: Financial Instruments and Risk Management (continued)

Impairment of Financial assets

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Organisation considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- *Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and*
- *Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').*

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Organisation makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Organisation uses its historical experience, external indicators and forward looking information to calculate the expected credit losses using a provision matrix.

The Organisation assess impairment of trade receivables on a collective basis.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Organisation's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below. The Organisation's financial liabilities include trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Organisation designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative financial instruments and hedge accounting

The Organisation applies new hedge accounting requirements of AASB 9 prospectively. All hedging relationships that were hedging relationships under AASB 139 at the 30 June 2018 reporting date meet the AASB 9's criteria for hedge accounting at 1 July 2018 and are therefore regarded as continuing hedging relationships.

Derivative financial instruments are accounted for at FVPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which requires a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- *There is an economic relationship between the hedged item and the hedging instrument;*
- *The effect of credit risk does not dominate the value changes that result from that economic relationship; and*
- *The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.*

For the reporting periods under review, the Organisation has designated certain forward currency contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered to mitigate currency exchange risk arising from certain legally binding sales and purchase orders denominated in foreign currency. All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity.
Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

Section F: Financial Instruments and Risk Management (continued)

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item. If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

Accounting policies applicable to comparative period (30 June 2018)

Classification and subsequent measurement of financial assets

Until 31 December 2017, the Organisation classified its financial assets in the following categories:

- *Loans and receivables*
- *Financial assets at fair value through profit or loss (FVPL)*
- *Held-to-maturity (HTM) investments*
- *Available-for-sale (AFS) financial assets.*

All financial assets except for those at fair value through profit or loss (FVPL) are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below. All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Organisation's trade and other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at fair value through profit or loss (FVPL):

Financial assets at fair value through profit or loss (FVPL) include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Held-to-maturity (HTM) investments:

Held-to-maturity (HTM) investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Organisation has the intention and ability to hold them until maturity. The Organisation currently holds short term deposits designated into this category.

Held-to-maturity (HTM) investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

Available-for-sale (AFS) financial assets:

Available-for-sale (AFS) financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Organisation's AFS financial assets include the equity investment in Huon Valley Financials Pty Ltd.

The equity investment in Huon Valley Financials Pty Ltd is measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.

All other available-for-sale (AFS) financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'.

Reversals of impairment losses are recognised in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Section F: Financial Instruments and Risk Management (continued)

Classification and subsequent measurement of financial liabilities

The Organisation's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss (FVPL), that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVPL. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative financial instruments and hedge accounting

Derivative financial instruments are accounted for at FVPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which requires a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness.

For the reporting periods under review, the Organisation has designated certain forward currency contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered into to mitigate currency exchange risk arising from certain legally binding sales denominated in foreign currency. All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

Risk management objectives and policies

The Organisation is exposed to the following risks in relation to financial instruments:

- *Credit risk*
- *Liquidity risk*
- *Market risk.*

The Organisation's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors and focuses on actively securing the Organisations short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Organisation does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Organisation is exposed are described below.

The Organisation enters into derivatives, principally for hedging foreign exchange risk. Associated disclosure relating to hedge accounting are included below.

Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Organisation. The Organisation is exposed to credit risk for various financial instruments including by granting credit terms to customers, placing deposits short-term deposits and granting loans.

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.

Trade receivables

The credit risk is managed within the Organisation's credit risk management policies and procedures with an emphasis on portfolio diversification in terms of counterparty and maturity.

Trade receivables consist of a small number of customers in the forestry industry in Tasmania. The Organisation prefers to hold security against trade receivables balance in accordance with normal commercial practices which may include holding a bank guarantee and/or a registered security interest over inventory as security against performance of the counterparty's contractual obligations.

The Organisation applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to engage with the Organisation on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

The expected credit loss for trade receivables as at 30 June 2019 and 30 June 2018 was determined as follows:

Section F: Financial Instruments and Risk Management (continued)

30 June 2019	Current $'000	More than 30 days $'000	More than 60 days $'000	More than 90 days $'000	Total $'000
Gross carrying amount	**4,677**	**1,255**	**1,037**	**2,720**	**9,688**
Expected credit loss	**-**	**-**	**(30)**	**(720)**	**(750)**
Net carrying amount	**4,677**	**1,255**	**1,007**	**2,000**	**8,938**

30 June 2018	Current $'000	More than 30 days $'000	More than 60 days $'000	More than 90 days $'000	Total $'000
Gross carrying amount	5,424	3,278	1,747	3,896	14,345
Expected credit loss	-	-	-	(3,221)	(3,221)
Net carrying amount	5,424	3,278	1,747	675	11,124

The closing balance of the trade receivables loss allowance as at 30 June 2019 reconciles with the trade receivables loss allowance opening balance as follows:

	2019 $'000	2018 $'000
Loss allowance as at 1 July calculated under AASB 139	**(3,221)**	(2,311)
Amounts restated through opening retained earnings	**-**	-
Opening loss allowance as at 1 July	**(3,221)**	(2,311)
Loss allowance recognised during the year	**-**	(1,221)
Receivables written off during the year	**921**	311
Loss allowance unused and reversed during the year	**1,550**	-
Loss allowance as at 30 June	**(750)**	(3,221)

Based on historical information about customer default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good.

Short term deposits:

The Organisation's investments in short term deposits have low credit risk and the loss allowance recognised is based on the 12 months expected loss. Management consider 'low credit risk' for short term deposits to be those with high quality external credit ratings (investment grade).

Intercompany loans:

Intercompany loans represent amounts due from Newood Holdings Pty Ltd.

Liquidity risk

Liquidity risk is the risk that the Organisation might be unable to meet its obligations. The Organisation manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a weekly and monthly basis, as well as on the basis of a rolling 90-day projection.

Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available cash and equivalents in order to determine headroom or any shortfalls to determine that liquidity is sufficient over the lookout period.

The Organisation's objective is to maintain cash and marketable securities to meet its liquidity requirements for 90-day periods at a minimum. Funding for long-term liquidity needs is additionally secured by an ability to sell long-term financial assets.

The Organisation considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Organisation's existing cash resources and trade receivables exceed the current cash outflow requirements. Cash flows from trade and other receivables are all generally due within 30-90 days from the date of invoice.

At 30 June 2019, the Organisation's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

Nil.

This compares to the maturity of the Organisation's non-derivative financial liabilities in the previous reporting periods as follows:

Nil.

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

Section F: Financial Instruments and Risk Management (continued)

Market risk

The Organisation is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

Foreign currency sensitivity:

The Organisation's sales transactions are carried out in Australian Dollars ($AUD) or US Dollars ($USD).

Exposures to currency exchange rates arise from the Organisation's sales and purchases, which are primarily denominated in US-Dollars ($USD).

To mitigate the Organisation's exposure to foreign currency risk, non-$AUD cash flows are monitored and forward exchange contracts are entered into in accordance with the Organisation's risk management policies. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward exchange contracts are entered into for short term foreign currency exposures that are not expected to be offset by other currency transactions.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Organisation's exposure to currency risk.

Interest rate sensitivity:

The Organisation's policy is to minimise interest rate cash flow risk exposures on long-term financing.

Short term deposits are therefore usually at fixed rates for up to 12 months with diversification of maturity within the term.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 0. 5% (2018: +/- 0.5%).

Description	Fair value at 30 June 2019 $'000	Unobservable inputs	Inputs	Relationship of unobservable inputs to Profit and Equity
Short term deposits	39.5	Interest rate	0.5% increase	Profit and equity increases $0.2m
		Interest rate	0.5% decrease	Profit and equity decreases $0.2m

Description	Fair value at 30 June 2018 $'000	Unobservable inputs	Inputs	Relationship of unobservable inputs to Profit and Equity
Short term deposits	42.9	Interest rate	0.5% increase	Profit and equity increases $0.2m
		Interest rate	0.5% decrease	Profit and equity decreases $0.2m

These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

Section F: Financial Instruments and Risk Management (continued)

F1 Financial assets and liabilities

	Note	Amortised cost 2019 $'000	Assets at fair value through profit and loss (FVPL) 2019 $'000	Debt Fair value through other comprehensive income (FVOCI) 2019 $'000	Equity Fair value through other comprehensive income (FVOCI) 2019 $'000	Total 2019 $'000
Financial Assets						
Short term deposits	**D1**	**39,550**	**-**	**-**	**-**	**39,550**
Other cash and cash equivalents	**D1**	**577**	**-**	**-**	**-**	**577**
Trade and other receivables	**D2**	**23,959**	**-**	**-**	**-**	**23,959**
Other short-term financial assets	**D5**	**-**	**5**	**-**	**-**	**5**
		64,086	**5**	**-**	**-**	**64,091**

	Note	Other liabilities (amortised cost) 2019 $'000	Total 2019 $'000
Financial Liabilities			
Trade and other payables	**D6**	**(18,870)**	**(18,870)**
Borrowings	**D8**	**-**	**-**
		(18,870)	**(18,870)**

Financial assets at amortised cost include deposits held with Australian financial institutions with fixed interest rates ranging between 1.5% and 3%. Deposits are either at-call or have a maturity date in 2019 or 2020. The carrying amount at amortised cost is equal to fair value.

Financial assets at fair value through profit and loss (FVPL) include an equity investment in an unlisted entity.

The carrying amount of trade and other receivables and trade and other payables is considered a reasonable approximation of fair value.

Financial assets at held to maturity include deposits held with Australian financial institutions with fixed interest rates ranging between 1.5% and 3%. Deposits are either at-call or have a maturity date in 2019 or 2020. The carrying amount at amortised cost is equal to fair value.

Financial assets held for trading (FVPL) include an equity investment in an unlisted entity.

The financial instrument classifications in the prior period are in accordance with AASB 139 as follows:

	Note	Amortised cost 2018 $'000	Assets at fair value through profit and loss (FVPL) 2018 $'000	Debt Fair value through other comprehensive income (FVOCI) 2018 $'000	Equity Fair value through other comprehensive income (FVOCI) 2018 $'000	Total 2018 $'000
Financial Assets						
Short term deposits	D1	-	-	42,901	-	42,901
Other cash and cash equivalents	D1	-	-	2,458	-	2,458
Trade and other receivables	D2	-	-	-	14,129	14,129
Other short-term financial assets	D5	-	5	-	-	5
		-	5	45,359	14,129	59,493

	Note	Other liabilities (amortised cost) 2018 $'000	Total 2018 $'000
Financial Liabilities			
Trade and other payables	D6	(7,846)	(7,846)
Borrowings	D8	-	-
		(7,846)	(7,846)

Section F: Financial Instruments and Risk Management (continued)

F2 Derivative financial assets

Accounting policy

<u>Recognition, initial measurement and derecognition</u>

The Organisation uses forward foreign exchange contracts to mitigate exchange rate exposure arising from contract sales in US-Dollars (USD).

The Organisation's policy is to hedge 100% of the Organisation's net USD outflows. During the year ended 30 June 2019, 100% of the net USD outflows were hedged in respect of foreign currency risk using foreign currency forward exchange contracts.

Hedge effectiveness is determined at inception of the hedge relationship and at every reporting period end through the assessment of the hedged items and hedging instruments to determine whether there is still an economic relationship between two.

The critical terms of the foreign currency forwards entered into exactly match the terms of the terms of the hedged item. As such the economic relationship and hedge effectiveness are based on the qualitative factors and the use of a hypothetical derivative where appropriate.

Hedge ineffectiveness may arise where the critical terms of the forecast transaction no longer meet those of the hedging instrument, for example if there was a change in the timing of the forecast receipt of USD from what was initially estimated or if the volume of currency in the hedged item was below expectations leading to over-hedging.

The hedged items and the hedging instrument are denominated in the same currency and as a result the hedging ratio is always one to one.

*All USD forward exchange contracts had been designated as hedging instruments in cash flow hedges under AASB 139.
All hedging relationships that were hedging relationships under AASB 139 at 30 June 2018 meet AASB 9's criteria for hedge accounting at 1 July 2018 and are therefore regarded as continuing hedging relationships.*

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued, and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

Other forward exchange contracts are considered by management to be part of economic hedge arrangements but have not been formally designated.

F3 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 2019 $'000	Unobservable inputs	Inputs	Relationship of unobservable inputs to fair value
Forest estate incorporating biological asset	175.3	Price	5% increase	Value increases $61.2m
		Discount rate	1% increase	Value decreases $17.6m
		Discount rate	1% decrease	Value increases $20.7m
		Cost	5% increase	Value decreases $37.1m

Section G: Other Disclosures

Sustainable Timber Tasmania
For the year ended 30 June 2018

G1 Expenditure commitments

G1(a) Operating expenditure commitments

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 movement 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 i.e. 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.

	2019 $'000	2018 $'000
Leases as lessee		
Non-cancellable operating lease rentals are payable as follows:		
Not longer than one year	**1,671**	1,751
Longer than one year but not longer than five years	**4,152**	3,601
Later than five years	**4,919**	4,510
	10,742	9,862

G1(b) Capital expenditure commitments

	2019 $'000	2018 $'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	**-**	-
	-	-

Section G: Other Disclosures (continued)

G2 Contingent liabilities

Accounting policy

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 2019.

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

	2019 $'000	2018 $'000
Newood		
Income statement		
Revenue	**531**	569
Expenses	**(574)**	(270)
Income tax (expense) / benefit	**13**	650
Net profit/(loss)	**(30)**	949
Financial position		
Assets	**2,329**	2,275
Liabilities	**(1,765)**	(1,680)
Net assets/(liabilities)	**564**	595

Related party information

	Sales to related parties		Purchases from related parties		Amounts owed by related parties		Amounts owed to related parties	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Parent								
Newood Holdings Pty Ltd	**-**	-	**-**	-	**1,666**	1,389	**-**	-

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

	2019 $'000	2018 $'000
Amounts paid and payable to the Tasmanian Audit Office for auditing the financial statements of the Organisation	**123**	107
Amounts paid and payable to other service providers for internal and other regulatory audit services	**123**	75

G5 Events subsequent to balance date

2019

Ms T Ryan was appointed as a non-executive Director of the Organisation effective from 1 July 2019.
Dr L Bull gave notice of resignation as a non-executive Director prior to balance date with effect on 31 July 2019.

2018

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

G6 Geographical Information

All non-current assets are located within Australia.

	2019 $'000	2018 $'000
Revenue		
Australia	**222,342**	211,753
Asia	**-**	-
Total revenue	**222,342**	211,753

G7 Other accounting policies

Accounting policy

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.

Impairment of assets

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)

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.

Foreign currency 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.

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 2019

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 2019 and the financial position as at 30 June 2019, 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:

a) The financial records of Sustainable Timber Tasmania for the financial year ended 30 June 2019 have been properly maintained in accordance with Section 51 of the *Government Business Enterprises Act (1995)*;

b) The financial statements and notes for the financial year ended 30 June 2019 have been prepared in accordance with Section 52 of the *Government Business Enterprises Act (1995*); and

c) The financial statements and notes for the financial year ended 30 June 2019 give a true and fair view.

Signed in accordance with a resolution of the directors.

Rob de Fégely
Director
8 August 2019

Suzanne Baker
Director
8 August 2019

Auditor's Independence Declaration

Sustainable Timber Tasmania
For the year ended 30 June 2019

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

8 August 2019

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 2019, 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

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

Strive | Lead | Excel | To Make a Difference

Independent Audit Report

Sustainable Timber Tasmania
For the year ended 30 June 2019

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 the Sustainable Timber Tasmania (STT) which comprises the statement of financial position as at 30 June 2019, 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 is in accordance with the *Government Business Enterprises Act 1995*, including:

(a) giving a true and fair view of STT's financial position as at 30 June 2019 and of its financial performance and its cash flows for the year then ended

(b) complying with 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 STT on 8 August 2019 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 and C2*	
(a) Valuation	
STT relied upon external advice for the valuation of the Biological assets, $175.30m. 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. 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. • 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, $4.80m, 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	• 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.

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
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.	
(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 is highly complex and includes 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 the re-establishment provision and corresponding regeneration forest asset are correctly recognised and disclosed.
Defined benefit superannuation *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 $27.28m at 30 June 2019. The value of the superannuation liability is significant and its estimation involves complex judgements about future events.	• Assessing the competence of the State Actuary who 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.

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

14 August 2019
Hobart

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Information Tables

TABLE 1:
Land Reservation in Tasmania by Forest Type

Forest type [1] ('000's hectares)	Tasmania Total (ha)	Tasmania Area reserved (ha)	Tasmania %	Publicly managed land [3] Total (ha)	Publicly managed land [3] Area reserved (ha)	Publicly managed land [3] %	PTPZ [4] land Total (ha)	PTPZ [4] land Area reserved (ha)	PTPZ [4] land %	PTPZ [4] land Non-production (ha)	PTPZ [4] land Production (ha)
Tall native Eucalypt forest: Eucalypt forest with current or potential height of 34 metres or more	891	458	51	738	445	60	332	49	15	69	214
Short native Eucalypt forest: Eucalypt forest with current or potential height of less than 34 metres	1499	750	50	859	682	79	186	35	19	45	106
Rainforest: Cool temperate rainforest with no significant ***Eucalypt or Acacia spp.***	555	491	88	538	490	91	62	17	27	25	19
Other native forest: Including ***Acacia, Melaleuca spp.*** etc.	155	94	61	125	92	74	39	9	23	18	12
Hardwood plantation	226	0	0	59	0	0	53	0	0	0	53
Softwood plantation	76	1	1	55	1	2	54	0	0	0	54
Non forest [2]: Including scrub, moorland, farmland, rock and lakes	3388	1567	46	1757	1537	87	86	17	21	51	21
Total	**6790**	**3361**	**49**	**4131**	**3247**	**79**	**812**	**127**	**16**	**208**	**475**

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 and 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.

TABLE 2:
Forest Values Management on PTPZ land

Special Management Zone within wood production areas	Area (hectares)
Biodiversity	22,750
Cultural Heritage	10,300
Geoconservation	43,150
Landscape	42,250

Aboriginal heritage sites	Number
Identified in 2018/19	-
On PTPZ land	710

Historic heritage sites	Number
Identified in 2018/19	29
On PTPZ land	1,500

Soil and geo-conservation management	Area (hectares)
Designated unavailable for wood production due to erosion risk	4,930
Managed for soil and geo-conservation values	79,980

TABLE 3:
Landscape Context Planning System Performance

Metric	Achieved (%)
Coupes meeting dispersal metric prescription	97%
Coupes meeting the long term retention metric prescription	97%
Average % of forest retained for the long term within 1km radius surrounding harvested coupes	34%
Forest blocks meeting the mid-landscape scale mature habitat management objective harvest limits	100%

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 2019	**Softwood**	**Hardwood**
Sustainable Timber Tasmania plantation on PTPZ land	2,547	23,432
Sustainable Timber Tasmania plantation on private land	-	220
Sustainable Timber Tasmania joint venture on PTPZ land	7,443	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	28,396
Total 2018/19	**54,207**	**53,587**

TABLE 5:
Hardwood Plantation Thinning

Total area thinned (hectares)	Proportion meeting quality standard (%)
1,160	35% for damage
	96% for retained stocking

TABLE 6:
Pesticide Usage

Purpose of application	Area treated (hectares)
Plantation insect control	95
Plantation thinning	-
Plantation post-plant weed control	1
Plantation pre-plant weed control	-
Native forest pre-burn fine fuel treatment	-
Firebreak maintenance	4
Declared weed eradication	Roadside weeds controlled

Active Ingredient	Amount applied (kilogram of active ingredient)
Glyphosate	0.20
Triclopyr	1.60
Alpha cypermethrin	0.75
Clopyralid	1.44
Mesulfuron methyl	2.40
Picloram	2.00
Aminopyralid	8.40

Excludes nursery applications

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

TABLE 7:
Fertiliser Usage

Nutrient type	Amount applied (kilogram of active ingredient)
Nitrogen	1.28
Phosphorus	0.28
Potassium	0.8

Excludes nursery applications

TABLE 8:
Fuel and Chemical Spills

Number of fuel or chemical spills in 2018-19	0

TABLE 9:
Forest Health

Hardwood plantation area identified in 2018/19 with moderate or severe impact	Area (hectares)	
Health issue	**Moderate**	**Severe**
Soil fertility/site	-	79[1]
Insect damage	1,843[2]	72
Multiple causes	100[3]	-
Climate/environmental	8	-
Unknown	-	-
Silvicultural	-	-
Mammal damage	-	-
Fungal diseases	7[4]	23
Weeds (incidence)	-	0 (35)[5]

1. *Early branch death caused primarily by nutrient and moisture limitations.*
2. *Leaf beetle (Paropsisterna spp.) populations remained low in the north of the state which saw a substantial reduction in the area of significant defoliation.*
3. *Scattered post-thinning mortality associated with disturbance and stem borer attack.*
4. *There was very little significant damage from foliar fungal pathogens such as Teratosphaeria spp. Surveys indicate that forests managed by STT remain free of the exotic fungal pathogen myrtle rust (Austropuccina psidii).*
5. *The first figure is 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 2018/19	Area (hectares)
Area monitored [1]	4,287
Area monitored that was above control threshold	556
Area monitored above threshold and treated with alpha-cypermethrin	-
Total area treated [2]	77[1]
Area monitored above threshold with effective natural control	363
Area monitored above threshold and not treated	193[2]
% monitored area sprayed	2%

1. *Area treated for operational efficiency because populations were approaching threshold and adjacent plantations, managed by other growers, were being controlled.*
2. *Scheduled control operations were hampered by inclement weather.*

Long term retention areas on PTPZ land health and integrity assessment	Presence of damage symptom (%)			
Damage symptom	**None**	**Low**	**Moderate**	**Severe**
Burnt - old/historical[1]	38	40	23	0
Burnt - recent	91	4	2	4
Overstorey wind	89	11	0	0
Midstorey wind	77	19	4	0
Understorey wind	94	4	2	0
Weeds	66	28	6	0
Illegal harvest	79	15	6	0
Other	83	8	9	0
Overstorey canopy condition	32	49	19	0
Midstorey canopy condition	56	33	10	2
Understorey canopy condition	77	13	8	2
Gross reserve area sampled (hectares)				7,270

1. *Fire is a natural part of the native forest landscape and evidence of old fire damage is a common phenomenon. As such, the 'burnt' category was modified to distinguish between recent and historical fire damage symptoms.*

TABLE 10:
Access to PTPZ land

Roading Activity 2018/19	Length (kilometres)
New roads constructed	33.5
Roads maintained	4,123

Leases and Licences on PTPZ land	Number
Total leases, licences and easements	602
Leases, licences and easements currently subject to negotiation	29

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

Forest Activity Assessments conducted in 2018/19	Number
Assessments conducted	65

TABLE 11:
Bushfire Management

Bushfire 2018/19	Area (hectares)
PTPZ land burnt by bushfires	36,890

Contribution to State bushfire fighting effort 2018/19	Control effort (person hours)
General firefighting activites as crew members, strike team leaders, heavy tanker drivers and tree fellers	29,536
Incident management teams as incident controllers, and in planning roles such as mapping, resourcing and behaviour prediction	10,101
Divisional or sector command	6,411
Firefighting activities undertaken by contractors	20,300
Total	**66,348**

TABLE 12:
Planned Burning

Planned burns conducted on PTPZ land 2018/19	Number	Area (hectares)
Fuel reduction and ecological	5	1,336
Low intensity regeneration	65	3,745
High intensity regeneration	46	1,616

Contribution to State fuel reduction burning effort 2018/19	Number
Number of non- PTPZ land fuel reduction burns attended	34
Person days provided to non-PTPZ land fuel reduction burns	1,136

Air quality monitoring	Number
Planned burn season	2 April 2019 to 28 June 2019
Exceedances of national air quality standard at BLANKET sites during planned burn season	98
Exceedances that STT planned burning may have contributed	0
Air quality complaints received by EPA during planned burn season	13
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 2018/19		
Source	**Usage (litres or kilowatt hours)**	**CO2-e**
Unleaded	660	1,574
Diesel	319,220	867,584
Oil	2,063	6,084
Electricity	911,368	109,364
Total		**984,606**

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	4,183
Old growth	Partial	616
Regrowth	Clearfell	1,134
Old growth	Clearfell[1]	51

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)	104,999	cubic metres
		Construction grade sawlog (Cat 1&3)	10,510	cubic metres
		Sliced veneer grade	516	cubic metres
		Total	**116,025**	**cubic metres**
	Sawlog	Sawlog (Cat 2&8)	38,464	cubic metres
	Posts, poles and piles		3,328	units
	Export peeler log		37,875	tonnes
	Dometic peeler billets		140,292	tonnes
	Pulpwood		791,208	tonnes
	Firewood		8,948	tonnes
	Other products (e.g. bark, sawdust)		1,931	tonnes
	Special species timber and craftwood		9,747	cubic metres
Hardwood Plantation	High quality sawlog		-	cubic metres
	Pulpwood		152,368	tonnes
	Export log		5,092	tonnes
Softwood Plantation[1]	Sawlogs		55,999	cubic metres
	Pulpwood		110,078	tonnes
Grand total [2]			**1,471,355**	**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 892 tonnes from the private sector for provision to Sustainable Timber Tasmania customers.*

TABLE 16:
Special Species Production

Species	Volume (cubic metres)
Blackwood	8,517
Celery top pine	468
Myrtle	16.9
Blackheart sassafras	11.2
Huon pine	183.7
Huon pine craft wood	496.6
Silver wattle	13.3
White sassafras	1.9
Other (species unknown)	38.0
Total	**9,747**

TABLE 17:
Regrowing Native Forest

Site preparation type	Area assessed (hectares)	Proportion meeting quality standard (%)
Clearfell	1,477	100%
Partial harvest	3,286	99%

Seed sown[1,2]	
Area sown (hectares)	1,571
Quantity sown (kilograms)	1,293
Proportion of seed collected from on site	39%
Proportion of seed collected from in-zone	61%
Proportion of seed collected out-of-zone	0%

1. *Seed is only applied to areas where natural seedfall is likely to be insufficient for regrowing the forest.*
2. *Excludes seed sown as part of bushfire rehabilitation operations*

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]	-		404	319		723
Wet eucalypt [1]	-	-	64	744	538	1,346
High altitude *E. delegatensis* [1]	-	-	115	1,477	277	1,758
Fenced intensive blackwood [1]	-	-	-	-	-	-
Swamp blackwood [2]	-	-	-	-	-	-
Rainforest [2]	-	-	-	-	-	-
Huon pine [2]	-	-	-	-	-	-
Total	**-**		**583**	**2,540**	**815**	**3,938**

Proportion of Area Stocked	95%

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

TABLE 18:
Staff Numbers

Staff as at 30 June 2019	Number
Headcount	150
Full time equivalents	143

TABLE 19:
Safety Performance

Safety performance	2018/19
Number of workers compensation claims	6
Cost of workers compensation claims	$19,155
Cost of claims as a proportion of gross wages	0.11%
Lost Time Injury Frequency Rate (LTIFR)	3.69
Medical Treatment Injury Frequency Rate (MTIFR)	18.47
Harvesting contractor's Lost Time Injury Frequency Rate	29.1

TABLE 20:
Stakeholder Engagement Activity

Stakeholder Groups	Events in 2018/19	Number of Stakeholders
Community	170	1,071
Neighbours	116	487
Environmental	62	199
Recreational	46	354
State Government	41	303
Business	39	173
Commercial Users	34	258
Industry	32	193
Local Government	31	397
Scientific	29	145
Customers	23	210
Tourism	22	168
Educational	16	381
Contractors	13	139
Suppliers	8	1037
Media	8	15
Aboriginal	7	68
Federal Government	6	35
Total	**497**	**4,711**

TABLE 21:
Education, Research and Community Funding

Contributions to forest education	value ($)
Forest Education Foundation	$316,000
Research funding	
University of Tasmania[1]	$95,000
State Fire Commission (Contribution to Bushfire CRC Program)	$32,400
Plant Health Australia	$15,500
Forest and Wood Products Australia	$12,000
CSIRO	$10,000
Australasian Fire and Emergency Services Authority Council	$2,000
Gottstein Trust	$2,000
Technical Forest Services	$900
Community sponsorship	
Tasmanian Forests and Forest Products Network	$27,400
Tasmanian Axemen's Association	$10,000
World Fly Fishing Championship	$8,800
Tasmanian Symphony Orchestra	$5,000
Rotary - Vanessa G	$2,900
National Tree Day (seedlings)	$2,400
Australian Forest Products Association	$1,800
Australia Wildlife Management Society	$500
Total	**$544,600**

Note: Figures are GST exclusive
1. Excludes additional in kind contributions of staff time and access to materials.

TABLE 22:
Buy Local and Payment of Accounts

Buy local	
Proportion of total purchases from Tasmanian businesses	90%
Value of purchases from Tasmanian businesses ($ millions)	$93.69
Number of Tasmanian businesses paid	660

Payment of Accounts	
Creditor days	21
Number of accounts due for payment	7,050
Number of accounts paid on time	5,760
Amount due for payment ($ millions)	$104.36
Amount paid on time ($ millions)	$99.83
Number of payments of interest on overdue accounts	-
Interest paid on overdue accounts	-

TABLE 23:
Overseas Travel

Overseas travel	2018/19
Number of overseas trips by directors or staff	1
Total cost of overseas trips	$9,577.67

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
There were no consultancies valued at more than $50,000 during 2018/19			
Total			

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

Number	Total
20	$224,591

TABLE 26:
Information Disclosures

Right to Information Disclosures	Number
Applications for assessed disclosure received	4
Applications for assessed disclosure refused	0
Applications for assessed disclosure 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)	3
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 Tasmania 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 substantiated 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
Total	**16**

Snapshot

	2017/18	2018/19
Forest estate ('000 hectares)		
Permanent Timber Production Zone land	812	**812**
Land available for wood production	477	**480**
Other areas of native forest [1]	213	**211**
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	706	**711**
Hardwood plantation [5]	53	**53**
Softwood plantation [5]	54	**54**
Area harvested in financial year		
Native forest - selective harvesting (hectares)	4,107	**4,799**
Native forest - clearfell harvesting (hectares)	1,620	**1,185**
Hardwood plantation (hectares)	1,596	**1,374**
Regrowing forest		
Native forest treated for regeneration (hectares)	6,752	**4,763**
Wood production		
Total Production (cubic metres and tonnes)	1,525,943	**1,471,355**
High Quality sawlog (cubic metres)	129,403	**116,025**
Native forest sawlog Cat. 2 & 8 (cubic metres)	37,591	**38,464**
Native forest posts, poles & piles (units)	7,029	**3,328**
Native forest High grade domestic peeler (tonnes)	174,182	**140,492**
Native forest export peeler logs	-	**37,875**
Native forest pulpwood (tonnes)	795,581	**791,208**
Firewood (cubic metres)	7,588	**8,948**
Other products (e.g. bark, sawdust) (tonnes)	8,054	**1,931**
Special species timber and craftwood (cubic metres)	10,233	**9,747**
Hardwood plantation (sawlog and pulpwood) (tonnes)	162,961	**157,460**
Softwood plantation (sawlog and pulpwood) (tonnes)	193,321	**166,077**
Fire management services		
Number of bushfires attended	43	**57**
PTPZ land burnt by bushfires (hectares)	1,866	**36,890**
Hours devoted to firefighting	8,782	**66,348**
Cost of suppresion (current values $'000)	1,222	**8,320**
Fuel reduction burns completed on PTPZ land (hectares)	2,808	**1,336**

	2017/18	2018/19
Access to the forest		
New roads constructed (kilometres)	34.9	**33.5**
Roads maintained (kilometres)	2,831	**4,123**
Finance – Comprehensive Income ($'000)		
Revenue		
Revenue from sale of forest products	144,862	**150,344**
Government funding (excluding deficit funding)	16,179	**21,897**
Other income	23,073	**5,166**
Finance income	1,015	**1,564**
Forest valuation increase	26,624	**43,371**
Total revenue	211,753	**222,342**
Expenses		
Expenses from operations	(160,019)	**(165,875)**
Finance expense	(1,236)	**(1,064)**
Forest valuation decrease	-	**-**
Total expenses	(161,290)	**(167,204)**
Total comprehensive income (expense)	49,008	**34,924**
EBITDAR	28,457	**15,040**
Finance – Financial Position ($'000)		
Borrowings (net of cash)	-	**-**
Net Assets	161,577	**181,501**
Finance – Cash Flow ($'000)		
Operating cash flows	12,317	**14,888**
Investing cash flows	59,132	**(5,120)**
Employment		
Number of staff (head count)	149	**150**
Number of staff (full time equivalents: FTE)	143	**143**
Lost Time Injury frequency rate	3.65	**3.69**
Tasmanian business		
Payments to Tasmanian businesses ($ million)	110	**94**
Number of Tasmanian businesses paid	700	**660**

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 Forestry 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.

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