Sustainable by nature.

Annual Report 2019–20

Sustainable Timber Tasmania

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Front cover photo:
"I love my job!" Kylie Kemp, Trainee Forester, assessing regenerating forests near Hastings, southern Tasmania.

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employer of choice

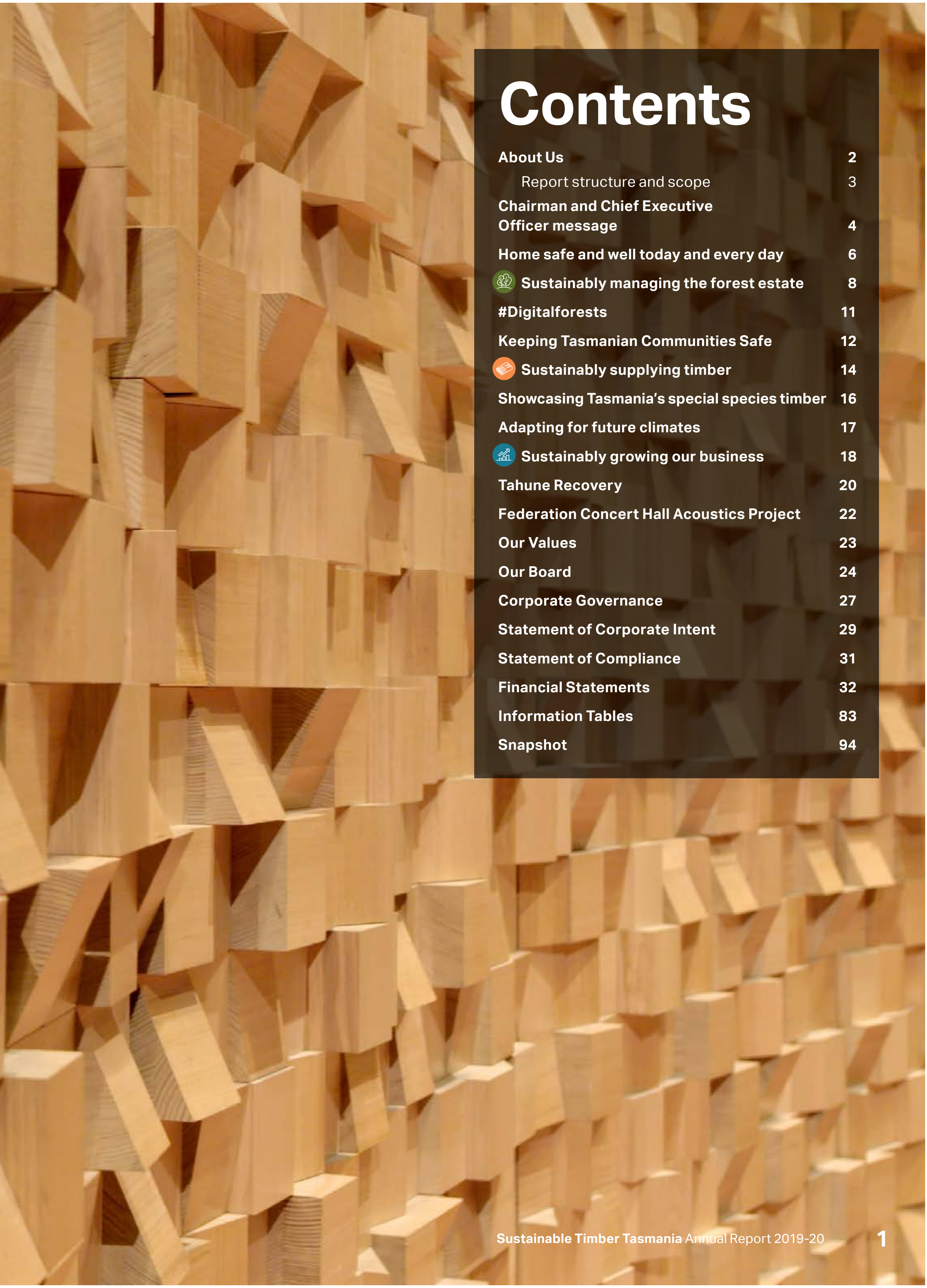
PEFC
PEFC/21-23-01

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



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 2019/20 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

We manage Tasmania's public production forest for a vast array of environmental, social and economic values. Managing these forest values respectfully, innovatively and sustainably is at the heart of everything we do.

The Annual Report features achievements and highlights from the 2019/2020 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.

Safety is a key focus for the Board and Management. With our employees and contractors, we are committed to going home safe and well every day, so it is pleasing to see that the investment we are making in our safety management is starting to be reflected in improved performance. A key project has been delivering SafetyCircle® training in a shared environment with employees and contractors working together to identify and deliver real on-ground improvements.

The bushfires of the 2019/20 summer were a major challenge for communities in multiple States. Our staff were able to return the help provided in previous seasons by assisting the firefighting effort in New South Wales. Twenty three of our employees provided over 2,750 hours of specialist skills and knowledge to the immense effort undertaken to protect communities. We were not without our own firefighting challenges. 14,000 hectares of Permanent Timber Production Zone land was burnt in 2019/20, the majority of which was near Fingal and required a concerted effort to control.

The fire recovery effort from the bushfires of January 2019 continued with the repairs and re-opening of the iconic Tahune Airwalk. Restoring Tahune is a major investment in the future of the Huon Valley community. Tahune now has new forest views for people to see and a new story to share, one of bushfire impact, recovery and most importantly, regeneration.

Our wood production also recovered from the lower levels of the previous year to nearly 1.6 million tonnes of forest products. This included 119,000 cubic metres of high quality eucalypt sawlogs supplied to our customers. Along with our contractors, we have encountered challenges with two of our major customers temporarily closed for parts of the year. Despite this, production targets and customer demand were largely met.

The financial results reflected the challenges of the year with some temporary mill closures and softening international market pricing compared to the previous year. A modest underlying profit of $3.9 million was achieved, operating cash flows were positive and the balance sheet healthy. The Board was pleased to recommend a $2 million ordinary divided payment to the Government based on the 2019/20 financial results. In addition, we paid a $2 million ordinary dividend to the Government following the 2018/19 financial result.

We continue to focus on adapting our management and investing in innovation. This Report includes a story on how we are exploring the use of Internet of Things in the #digitalforest to establish a sensor rich network throughout the forest. Sensors on this sophisticated network can sense changing fuel (vegetation) moisture levels which has great potential to assist real time decision making for fire management and improve community safety. There is also the potential to install other sensors to increase the knowledge base of our public production forests and monitor the changes that occur over time.

During the financial year, we welcomed Therese Ryan and Kathy Schaefer to the Board and we farewelled Dr Lyndall Bull and Dr Christine Mucha, who we wish all the best and thank them for their contributions.

It is our privilege to present this Annual Report that demonstrates our performance, our values and our sustainability pillars for the 2019/20 financial year.

Rob de Fégely AM
Chairman

Steve Whiteley
Chief Executive Officer

Over 32,000
hours contributed to bushfire fighting

160 million
seeds sown

119,000m³
of high quality sawlogs

Over 5,600ha
prepared for regrowing

3.57
Lost Time Injury Frequency Rate

$3.9 million
underlying net profit

Home safe and well today and every day with SafetyCircle®

Sustainable Timber Tasmania's forest harvesting is conducted by contractors. Our forest officers engage with the contractor crews that are operating in challenging and dynamic environmental and commercial conditions.

In mid-2019, Sustainable Timber Tasmania engaged SafetyCircle® to run a pilot program to engage native forest harvesting contractors and our employees through a method which could raise work health and safety standards across the Tasmanian native forest industry. The pilot group selected were our native forest harvesting contractors in the North East region.

In the 12 months preceding the pilot program, 13 of 16 of our contractor's lost time injuries were from this group.

SafetyCircle has a strong focus on the culture and practices of individuals, leaders and teams. It provides a common goal that is personal and achievable: **Home Safe and Well Today and Every Day**; and a common language: "Is this inside the Circle or outside?" This enables everyone to participate and make clear choices; no matter their level of previous health and safety education.

During our pilot program, a 6-day Leadership Development Program was conducted with all 11 contractor 'Bush Bosses' and their corresponding Sustainable Timber Tasmania harvesting supervisors. This included building positive communications skills, risk relevance understanding and making health and safety improvements. Attendance and completion of the program was 100%.

Each of the 27 crew members participated in a one-day Workforce Engagement workshop and all participants agreed to work inside the SafetyCircle. Following this workshop many contractor Bush Bosses, our employees and SafetyCircle coaches noted a significant improvement in the on-site communication between crew members.

The program saw our contractors identify the desired future state of work health and safety culture. They stated that currently, things were 'too hard', there were 'inconsistent standards', 'conflict' and 'ignoring of unsafe acts'. The SafetyCircle program highlighted to the participants that identifying this means working towards making things 'clear and simple', with 'well managed risk', 'positive working relationships', and 'interrupting each other and calling out unsafe acts'.

During the program, 58 specific safety improvements were made and recorded. A cohort of volunteers also worked on a High-Risk Work project to prevent serious incidents on harvesting landings. The project identified key standards and improvements in making landings and stockpile areas safer. At the Present Out event concluding the program in February 2020, there was a unanimous agreement from contractors and our employees of the benefits of the program. This included better working relationships, health and safety improvements.

Since inception of the program there have been zero incidents with serious potential for injury and no lost time injuries from these contractors. This is a credit to all the participants genuine commitment to the goal of everyone getting home safe and well today and every day.

As a result of the pilot program's success, it is now being delivered with the native forest harvesting contractors in our southern region and is planned for the north west region in early 2021.

SafetyCircle ®

16
contractor lost time injuries between 2018-2019

4
of these were serious incidents with high risk of fatality

8

0
lost time injuries in the 8 months since the program finished with participating contractors

58
work health and safety improvements documented

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.

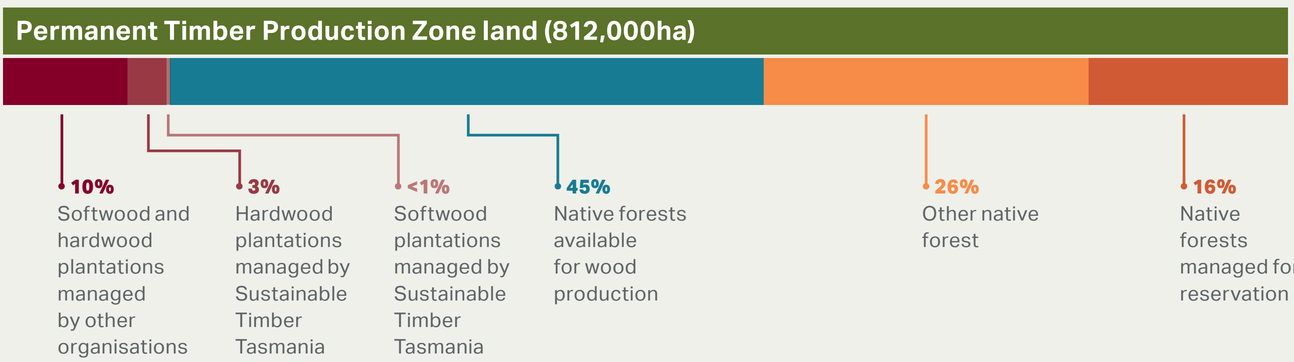
During the year we received the Audit Report of our FSC® audit conducted in May 2019. We were one of the first organisations to undertake an audit against the new Australian FSC® standard.

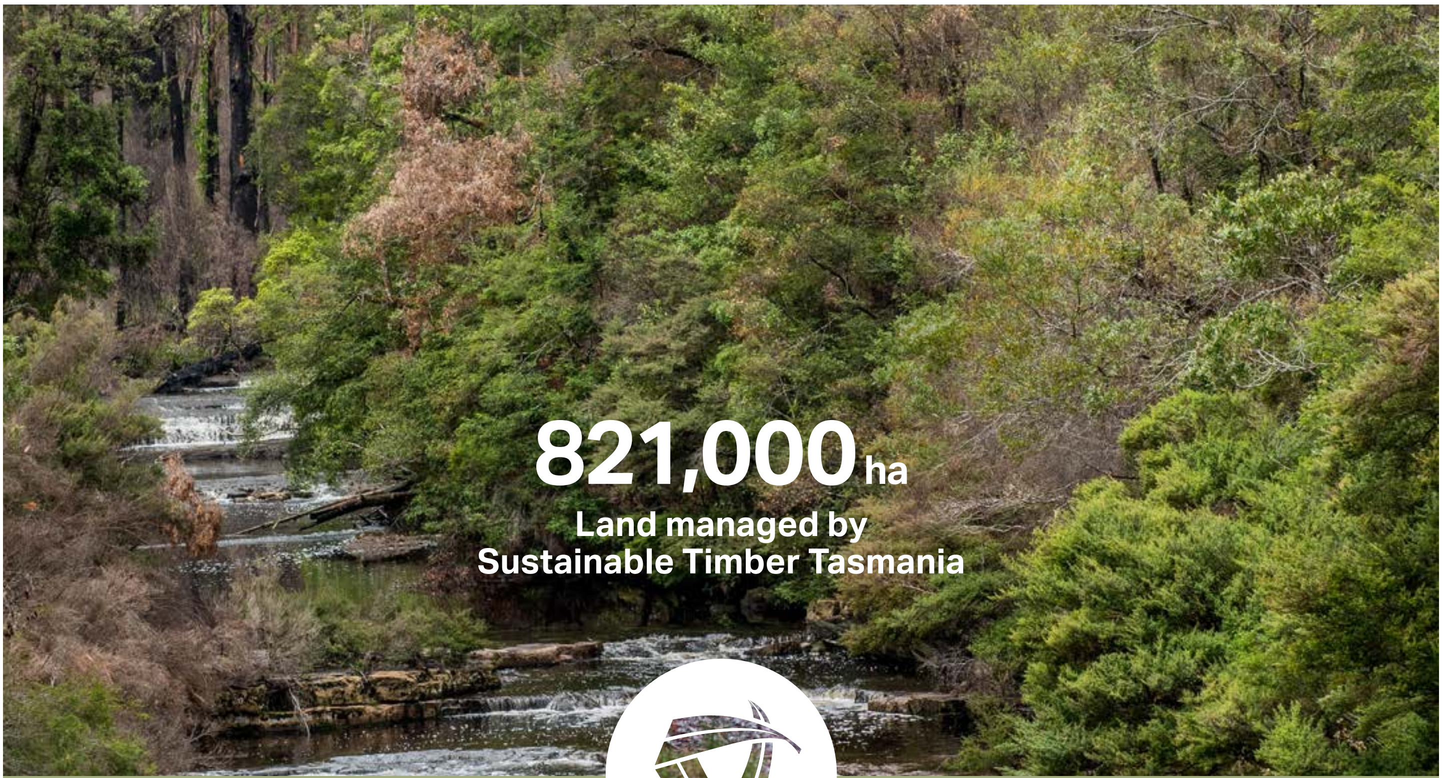
The 2019 FSC Audit Report highlighted that Sustainable Timber Tasmania complies with the majority of the required criteria of the FSC® standard, with further refinement required regarding three complex issues: the management of Swift Parrots; greater retention of habitat trees in harvest areas; and better understanding the impact of fire and other disturbances on old growth.

Sustainable Timber Tasmania has commenced taking action to address the issues.

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 2019/20 we maintained over 3,000 kilometres of roads for our operations and to provide access to stakeholders for recreational or commercial uses.

Renewable energy generation and transmission projects on Permanent Timber Production Zone land are significant investments being made by both the private and public sector. During the year, two projects became fully operational - a west coast wind farm and a mini hydro project in the Derwent Valley. More of these projects are expected in future years.





821,000 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

Two audits were conducted against our Responsible Wood, Environmental Management Systems, and Occupational Health and Safety Management certifications with all certification being maintained. Additionally we also maintained our FSC® Controlled Wood certificate for our managed plantations following an audit.

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).

In 2020, The Forest Practices Authority chose to focus their audit activity on quarries following a long history of very high compliance with harvesting and roading Forest Practices Plans.

Three Year Plan
submitted to FPA and published

100% Compliance
with Forest Practices Plan reporting

4
Quarry Forest Practices Plans audited

126
individual questions

74%
achieved highest possible rating

Forest protection and fire management

87%
of long term retained forest monitored showing no or low severity damage symptoms.

Over 587
person days provided to 18 State fuel reduction burns

47
bushfires attended

Over 32,000
person hours of firefighting activity

STT Stories

#Digitalforests

IoT (Internet of Things) technology is providing Sustainable Timber Tasmania with the opportunity to create a #digitalforest, a forest with an integrated network of sensors relaying information in real time.

Building on earlier work to sense the presence of wedge tailed eagles on nests, we have been extending the use of the digital forest network to sense fuel (vegetation) moisture levels.

The digital forest network is a LoRaWAN network (a low-power Long Range Wide Area Network). Using compact and effective LoRaWAN gateways, sensors can communicate from up to 28km away– allowing us to penetrate far into the forest to pick up sensors away from mobile phone coverage networks.

Sensors can be detecting or measuring a whole range of different parameters. During the year we undertook a series of initial trials to measure moisture levels in the field to assist fire management decisions. With the help of our partner, Indicium Dynamics, we are finding ways to make data accessible and meaningful.

The fuel sensing project is providing real-time data, when we need it, 24 hours a day. It offers greater consistency in the data captured and live feeds without the need for individuals to physically travel to remote sites and then make physical measurements to determine fuel moisture levels.

It is assisting Sustainable Timber Tasmania with:

- Improved accuracy
- Enhanced time efficiencies
- Reduction in time and labour cost
- Improved safety due to less time in remote field locations
- Enhanced situational awareness
- Improved evidence-based decision making.

We are working with Indicium Dynamics to miniaturise the new technology for easier deployment in the field and to inform our decision making during the bushfire and planned burning seasons. It will provide us with greater situational awareness of dry landscape conditions and assist us to forewarn about potentially dangerous conditions in the forest.

In addition to monitoring fuel moisture and eagle nests, we can also apply this IoT technology to a wide range of future uses as we extend the network and identify innovative and meaningful uses for sensor technology. Smart forests for the future.

Keeping Tasmanian Communities Safe

As a Tasmanian fire management agency, Sustainable Timber Tasmania plays an important role in keeping Tasmanian communities safe.

We are proud to work as part of the Inter-Agency Bushfire Management Protocol with the Tasmania Fire Service and Tasmania Parks and Wildlife Service. The Protocol had a major review completed in late 2019. The Protocol provides for streamlined communication, adequate resources and a strategic approach to all bushfires in Tasmania, regardless of land tenure.

We organise our fire management activities around four principles: preparedness, prevention, response and recovery.

Preparedness

Each year, our firefighting capability is renewed with employees trained or upskilled in fire management. More than 77% of our employees are trained to work as firefighters and in Incident Management Teams along with additional contractor fire fighter capacity.

In September, we hosted our annual Fire Refresher Days for both employees and contractors. These activities keep staff and contractors familiar with equipment, processes and bushfire response.

Prevention

Our 2020 Planned Burning program was our most successful program since 2011 for growing future forests. We conduct planned burns and fuel reduction burns to improve the safety of the community by reducing fuel loads in production forests and other identified high priority areas and to regenerate harvested forests in a similar manner to natural regeneration following bushfires.

Response

On Monday 30 December 2019 arsonists ignited the most significant bushfire of the 2019/20 season in the Mangana area on Permanent Timber Production Zone land. It grew significantly in size due to unfavourable fire weather and ground dryness. The fire spotted to the south east of the Fingal township into the Mt Malcolm area. The fire put the Fingal township and adjoining local communities at great risk.

Sustainable Timber Tasmania actively worked with Tasmania Fire Service, Tasmania Parks and Wildlife Service and others in a variety of roles both on the fireground and in the Incident Management Team to manage the challenging bushfire.

Our staff working in the Incident Management Team performed in operational, planning, public information and recovery roles. They used their local knowledge and information from the fireground to identify and

implement fire containment strategies and maintain regular communication to the community.

Our employees on the fireground were involved in significant firefighting and back burning operations, aerial water bombing operations and investigative work.

We had 80 employees contribute over 8,600 hours, and 95 contractors contribute over 10,600 hours to control the Fingal bushfire.

Our employees worked extensively to undertake post-bushfire planned rehabilitation work to prevent environmental impact and operational planning to identify amendments to our future management of the area.

Recovery

Our fire recovery efforts in 2019-2020 focused on impact from the Fingal bushfire, and previous bushfires from 2018-2019 period, including the Riveaux Road bushfire.

We undertook extensive repair work on the Weld Bridge, impacted by the 2018/2019 Riveaux Road bushfire. The bushfire damaged the timber foundation of the bridge and made it unsafe to cross. It presented a high risk to the local community and surrounding environment.

The recovery was complex, so we worked closely with engineers and contractors to rebuild the existing bridge. Rebuilding the existing bridge instead of removing it to build a new bridge was an important decision made early in the recovery process. Repairing the existing bridge was a challenging option, but it was a challenge we were determined to meet.

The extensive repair work enables the Weld Bridge to benefit the local Huon Valley community through multi-purpose use. A track has been built under the bridge to improve access to the river for recreational use, including activities such as fishing and kayaking.

The repaired bridge provides access to Permanent Timber Production Zone land and the World Heritage Area and provides an important water access point for fire tankers and an exit route for all in the event there is another bushfire in the area.

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 2019/20:

Over 5,600ha
prepared for regrowing

160 million
seeds sown on harvested 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 2019/20 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 2019/20 we harvested:

5,798 ha
of native forest

Less than 1%
Permanent Timber Production Zone land

Over 70%
of native forest harvesting used partial harvesting systems

1,693 ha
of plantation

$60 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:

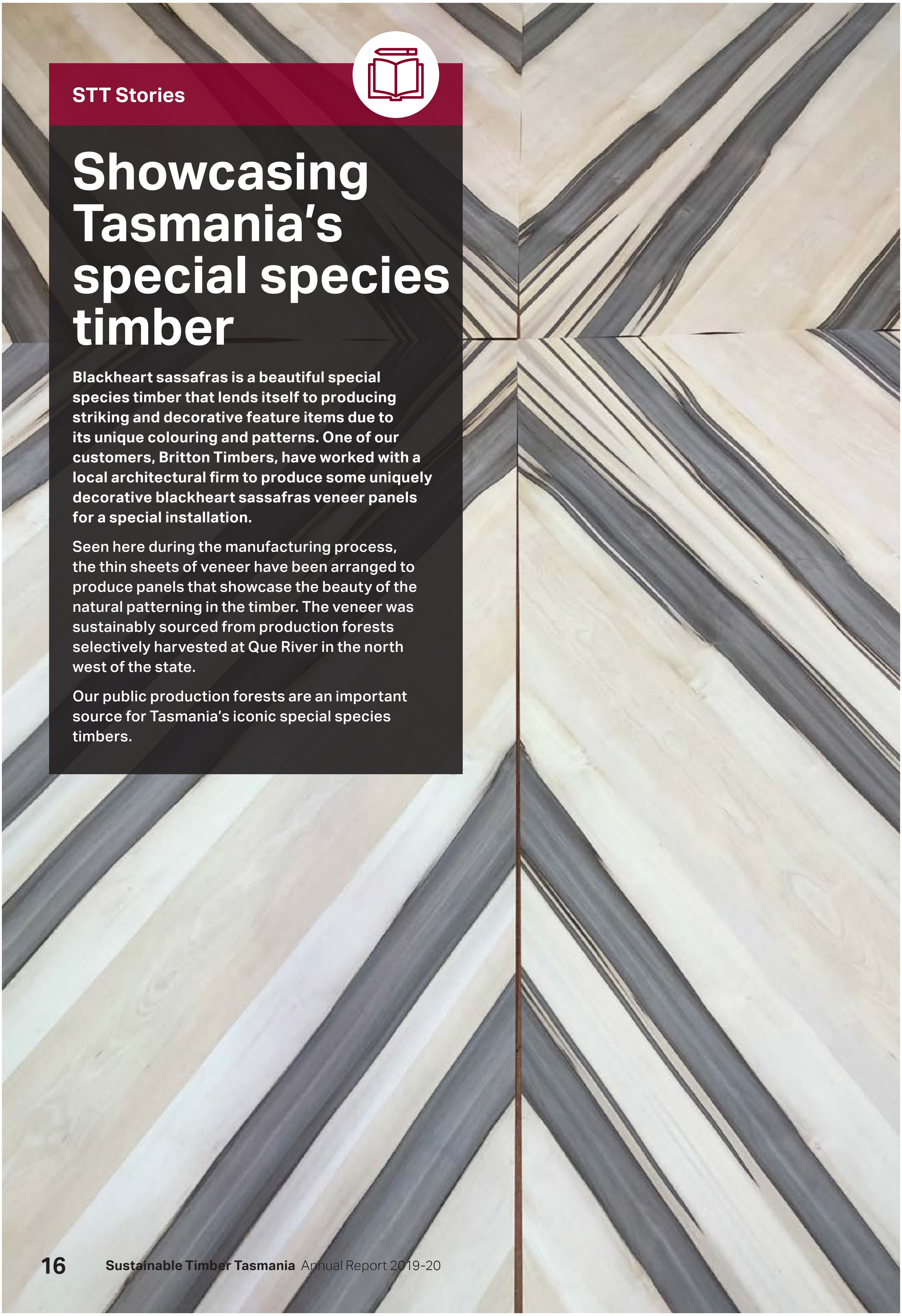
Nearly 1.6 million tonnes
in total of renewable products

119,000m³
of high quality sawlogs

Over 7,900m³
of special species timber

$147 million
of forest product sales

51
Tasmanian businesses supplied with product



STT Stories

Showcasing Tasmania's special species timber

Blackheart sassafras is a beautiful special species timber that lends itself to producing striking and decorative feature items due to its unique colouring and patterns. One of our customers, Britton Timbers, have worked with a local architectural firm to produce some uniquely decorative blackheart sassafras veneer panels for a special installation.

Seen here during the manufacturing process, the thin sheets of veneer have been arranged to produce panels that showcase the beauty of the natural patterning in the timber. The veneer was sustainably sourced from production forests selectively harvested at Que River in the north west of the state.

Our public production forests are an important source for Tasmania's iconic special species timbers.

STT Stories

Adapting for future climates

In our native eucalypt forests, following harvest we regrow the forest either from natural seed fall from standing trees, aerially sowing seed, or sometimes a combination of both. The seed we use when sowing is collected from the harvest site or from the same environmental range (known as a seed zone). For many years, the key assumption of seed zones was that populations had a narrow environmental range. However, new research suggests that this may not be the case.

A recent project undertaken with researchers from the School of Natural Sciences and the ARC Centre for Forest Value at the University of Tasmania, has evaluated the suitability of Sustainable Timber Tasmania's seed zone system under current and future climates. The changing climate is likely to lead to increased frequency and intensity of extreme events such as heatwaves, drought and fire. Therefore, we need to consider what the forests of the future that we are establishing today will look like in 50 years, 100 years and beyond.

The key outcome of the research is that our system of 61 seed zones should be revised into 14 new mega seed zones. This is underpinned by the finding that the current geographic ranges of forest tree species are broader than initially thought while the rate of climate change may challenge the adaptive capacity of local populations.

Based on robust scientific research, we want to adapt our reforestation decision-support tools to build climate-resilience into native forest ecosystems to maintain biodiversity benefits and commercially important wood supplies.

Current seed sourcing strategies will be adapted to improve their capacity to address climate change in line with current and future requirements for drought resilience and tolerance to high temperatures.

With this in mind, we are initiating further work to underpin our decision-support tools with cutting-edge genomic science and climate modelling. We are using molecular biology to understand the adaptability of our primary species, *E. obliqua* to climate change.

The information developed from this new project will help guide our decisions on which seed to use for regenerating native forests following harvesting.

This new project has been partly funded through the Tasmanian Government's Climate Research Grants Program, and led by researchers at the University of Tasmania School of Natural Sciences partnering with Sustainable Timber Tasmania.

Sustainably growing our business

Our business was profitable in 2019/20 generating positive cash flows and a modest underlying net profit despite the challenges of the year.

Production volumes increased to levels similar to pre-2019 bushfires overall. Some segments experienced reduced customer demand mainly due to the temporary mill closures of two major customers.

Bushfire fighting and recovery cost in 2019/20 were significant. Bushfire fighting costs increased to $3.1 million before payment of any additional costs by the Tasmanian Government. The repair of assets damaged in the previous fire season of 2018/19 was significant with costs totalling $6.1 million including un-insured components totaling $0.5 million.

Key measures of our financial sustainability include underlying profit and operating cash flows. The result - operating cash flows were strong in comparison to the prior year; underlying net profit held up despite temporary mill closures.

During the year we paid to the Government a $2 million dividend based on the 2018/19 result and have recommended a $2 million dividend based on the 2019/20 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 future risks.

$2 million
Total comprehensive income

$3.9 million
Underlying net profit

$19.9 million
Operating Cash Flows

$2 million
ordinary dividend paid on 2018/19 financial result

$2 million
ordinary dividend recommended on 2019/20 financial result

Buying local

97%
of purchases were paid to

713
Tasmanian businesses, totalling over

$127 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 today and every day. Our staff continue to embrace safety as a key priority which is evident in our safety performance:

1
Lost time injury

3.57
Lost Time Injury Frequency Rate

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

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

The safety performance of our contractors, in particular harvest and transport contractors, continues to be a concern. We are however seeing the benefit of a range on initiatives with the Lost Time Injury Frequency Rate reducing. The SafetyCircle® training program for contractors, described earlier in the report, is a major contributor. This program is focused on getting people home safe and well today and every day. We have also made improvements to our contractor induction processes, investigation training, communication processes and safety documentation.

20.6
Harvest and haulage contractors lost time injury frequency rate

Our Sustainable Me program is about adopting a whole person approach to supporting employees 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 employees. 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. A large part of the program in 2020 has focused on supporting our employees during the Covid-19 pandemic response.

People and Culture

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

Our recognition as an Employer of Choice and the positive programs equipping our employees for the future are becoming evident in some of our people statistics. We have had the lowest rate of employee turnover in over a decade and experiencing strong interests in roles when we are recruiting.

Our collaboration with ARBRE Forest Industries is going from strength to strength, with the Cadet Forester program. The program aims to teach young people about the forest industry and foster growth and responsibility as they enter the workforce. We are hosting Australian School Based Apprenticeships with students completing year 12 in 2020 and have extending the program to retain apprentices from the 2019 program. We continue to invest in our employees in leadership development.

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

Tahune Recovery

Iconic Huon Valley tourist attraction - the Tahune Airwalk - was evacuated on 21 January 2019, after the Riveaux Road bushfire started to the southwest of the site. The bushfire spread and firefighters fought to protect the site, but the intensity of the fire was significant. Firefighters were able to save the visitors centre, bluestone shelter and accommodation buildings, but the remainder of the site was badly impacted by fire.

Sustainable Timber Tasmania took control of the site post bushfire and managed the Tahune Recovery Project in consultation with the site operator Tahune Adventures Tasmania. Luckily, the Airwalk, although impacted by fire, did not need replacing.

The monumental Recovery Project has taken more than 12 months of hard work, with over 118 contractors and Sustainable Timber Tasmania employees being involved in the extensive repair works.

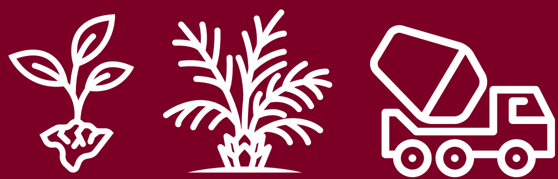
This was a complex project, involving many moving parts. Arborists were on site since the beginning of the recovery, removing and trimming trees. An engineering assessment determined the Airwalk required repairs including the replacement and retensioning of the supporting guy wires, repainting and replacement of bolts.

Tahune Adventures Tasmania were able to welcome back visitors to the site post recovery from 29 February 2020.

We are proud to have collaborated with Tahune Adventures Tasmania on bringing the iconic attraction back to life, post bushfire. Supporting local regional communities is important and the Airwalk provides great economic, social and cultural value to the Huon Valley and surrounding communities.

The Tahune Recovery Project was challenging, and there were delays from severe weather including heavy rain, wind, and total fire ban days. However, the dedication of all contractors and our employees involved meant the Project continued, and restoration works, including planting of over 8,000 trees were successfully completed. Restoring the Tahune Airwalk is not only an investment in the iconic attraction itself, but in the future of the Huon Valley community.

Tahune now has impressive new forest views for people to see and a new story to share, one of bushfire impact, recovery and most importantly, regeneration.



General area

- **8,000 trees planted**
- **1,400 tree ferns planted**
- **198 sandstone steps cut and installed**
- **130 cubic metres of concrete poured**
- **500m handrails installed**
- **118 contractors and employees worked directly on the project**
- **Over 4 kilometres of walking track repaired**

Airwalk specific

- **9,000 bolts replaced**
- **992m of guy wire replaced**
- **2,000 litres of paint used**
- **498 sheets of grating replaced**
- **1,990 grid mesh clips used**

STT Stories

Federation Concert Hall Acoustics Project

Sustainable Timber Tasmania has been a partner of the Tasmanian Symphony Orchestra for many years and is proud to be able to supply native timber for the Federation Concert Hall Acoustics Project.

The Tasmanian Symphony Orchestra approached us seeking a timber which had superb properties and could be both functional and beautiful. Over the many years of our partnership, together we have found multiple uses for native timber in the Federation Concert Hall.

Previously, Tasmanian timber has been used to support the orchestra with a timber screen to enhance the acoustics, rises for instruments, and the box office fit out.

The work to date was a perfect fit for our Tasmanian timbers, being both functional and incredibly beautiful.

In 2019, the Tasmanian Symphony Orchestra were working with the Federation Concert Hall on the 20-year plan to enhance the acoustic and visual presence on the stage.

Working with the Orchestra on their vision we have supplied veneered Tasmanian Oak, a beautiful and functional timber. It was sourced in our public productions forests, processed by Britton Timbers into veneer and manufactured into the final product by VOS Constructions. Local Tasmanian companies working together as a great exemplar of Tasmanian collaboration.

We hope there are more opportunities for our partnership in the future that continue to enable us to showcase Tasmanian timbers and the great work of the Tasmanian Symphony Orchestra.

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.

Our Board

Rob de Fégely AM (Chairman)

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

Rob de Fégely AM 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.

Professor Mark Hunt

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

Professor Mark Hunt is Professor of Forestry Science and Pro Vice Chancellor (Transformation) at the University of Tasmania. Mark has nearly 30 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 degree with first class honours, 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.

Therese Ryan

LLB, GAICD

Therese Ryan has extensive experience in the fields of commercial, legal and governance roles, having spent over 40 years as a lawyer. Therese's last role was Vice President and General Counsel of General Motors International Operations in Shanghai. Since retiring from this role in 2010, Therese has built her experience as a non-executive Director. She serves on several boards as a non-executive Director of WA Super, VicForests (Deputy Chair), Gippsland Water (Chair) and Bapcor Ltd.

Therese also serves on several committees including the Buxton Contemporary Museum Management Committee and the City of Melbourne Audit and Risk Committee. She has a Bachelor of Law degree from the University of Melbourne and is a Graduate of the Australian Institute of Company Directors.

Therese is an independent Director of Sustainable Timber Tasmania.

Kathy Schaefer

PSM, GAICD, MBA

Kathy Schaefer is an award winning, high performing non-executive Director and former senior government executive with a successful track record driving strategy, building strong corporate governance, engaging with stakeholders and developing the talent capability of workforces. Kathy is currently a non-executive Director of Cradle Coast Authority, Tasmania and Flying Arts Alliance (FAA), a regional arts organisation based in Queensland. Kathy is a member of the Australian Institute of Company Directors Tasmanian Divisional Council and an Independent Committee member of the Department of Treasury and Finance Audit and Risk Committee. She is also an Independent Member of the Local Government Code of Conduct Panel.

Kathy has worked across government portfolio areas of economic and industry development, infrastructure and major projects delivery, tourism, education, training and employment, land use planning and local government.

Kathy 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 of RACT Insurance and Chair of 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 2020, 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	9	9	2	5	-	2	5	5	1	1
Ms Suzanne Baker	9	9	6	6	-	-	5	5	1	-
Prof. Mark Hunt	9	9	-	-	3	3	5	5	1	1
Ms Kathryn Westwood	9	8	6	6	3	3	5	4	-	-
Ms Therese Ryan commenced on 1 July 2019	9	8	5	5	3	3	5	5	-	-
Ms Kathy Schaefer commenced on 1 February 2020	4	4	1	1	-	-	1	1	-	-
Dr. Lyndall Bull resigned on 31 July 2019	1	1	-	-	-	-	1	1	-	-
Dr. Christine Mucha resigned on 23 November 2019	4	4	2	3	-	-	2	2	1	1

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: Instill a culture of acting lawfully, ethically and responsibly

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 reporting from the Chief Executive Officer.

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 of corporate 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 is conducted in accordance with the Reporting Guidelines for Tasmanian Government Businesses published by the Department of Treasury and Finance. In addition continuous disclosure of material matters via routine briefings occur. 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 enterprise 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 2019/20

The Statement of Corporate Intent sets out the key financial and non-financial performance targets to be met by Sustainable Timber Tasmania in 2019/20. The targets are agreed with Sustainable Timber Tasmania's shareholders. The 2019/20 results compared to targets are presented in the following table.

Financial and Non-Financial Performance Targets

	Target 2019/20	Result 2019/20	Comment
Underlying net profit[1] ($ million)	4.96	3.9	Target not met
Net cash flow from operations ($ million)	10.99	19.9	Met targets, benefited from working capital efficiencies and timing
High quality eucalypt sawlogs (cubic metres)	127,500	118,893	Met demand for all customers
Special species sawlogs (cubic metres)	8,400	7,941	Met demand for all customers
Native forest regenerated (hectares)	5,400	5,634	Met required needs
Thinning of plantations for future sawlog production (hectares)	1,200	1,611	Met target
Forestry road construction to deliver customer commitments (kilometres)	Up to 55	40.9	Met required needs
Forestry road maintenance to deliver customer requirements, plus non-commercial maintenance to provide continued public access (kilometres)	Up to 4,000	3,076	Met required needs
Contribution to State prevention, preparation and detection of bushfires (percentage of employees trained and available)	≥ 70% of STT staff	77%	Met target
Lost time injury frequency rate – employees	≤10	3.57	Met target
Lost time injury frequency rate – contractors	≤20	20.63	Target not met, significant improvement from previous year

1. *Underlying net profit/loss is defined as the operating revenue less the operating expenditure.*


F513

5 October 2020

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 your information and presentation to Parliament, the Annual Report of Sustainable Timber Tasmania for the year ended 30 June 2020.

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

Yours faithfully

Rob de Fégely AM
Chairman
Board of Sustainable Timber Tasmania

Steve Whiteley
Chief Executive Officer
Sustainable Timber Tasmania

Sustainable Timber Tasmania

Financial Statements

2019/20

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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 2020. The Directors' report should be read in conjunction with the audited Financial Statements.

Directors

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

Board members	Position	Start Term	End Term
Rob de Fégely	Chairman	1 June 2016	
Dr. Christine Mucha	Director	29 April 2013	23 November 2019
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	
Kathy Schaefer	Director	1 February 2020	

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 total comprehensive income of $2.0 million for the financial year ended 30 June 2020 as compared to the total comprehensive income of $34.9 million for the financial year ended 30 June 2019.

Going Concern basis for the preparation of the annual financial statements

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

Director and executive remuneration

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

Dividends

The Organisation paid an Ordinary Dividend of $2 million under Section 84 of the *Government Business Enterprise Act* 1995 on 19 December 2019.

The Board will advise the Treasurer and the Portfolio Minister of its recommendation for a dividend payable by the Organisation in respect of the 2019/2020 financial year within 60 days of the end of the financial year.

Events subsequent to balance date

There have not been any matters or circumstances since the end of the financial year that have significantly affected or may have significantly affected the operations of the Organisation, the results of those operations or the state of affairs of the Organisation.

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 6th day of August 2020.

Signed in accordance with a resolution of Directors:

Rob de Fégely AM
Director

Kathryn Westwood
Director

Statement of Comprehensive Income

Sustainable Timber Tasmania
For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Revenue			
Revenue	B1(a)	**175,037**	177,407
Finance income	B1(g)	**901**	1,564
Biological asset valuation increment	C1	**1,837**	43,371
Total revenue		**177,775**	222,342
Expenses			
Expense from operations	B1(d),(e),(f)	**(170,069)**	(165,875)
Finance expense	B1(g)	**(1,872)**	(1,064)
Loss on sale or disposal of assets	B1(h)	**(62)**	(265)
Total expenses		**(172,003)**	(167,204)
Net profit/(loss) before tax		**5,772**	55,138
Income tax (expense)/benefit on net profit / (loss)	B2	**(1,731)**	(16,637)
Net profit/(loss) after tax		**4,041**	38,501
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Increase/(decrease) in the revaluation of land and buildings	D4	**(1,689)**	935
Gain/(loss) on remeasurement of defined benefit liability	E4	**(1,247)**	(6,045)
Income tax on revaluation of land and buildings	B2	**507**	(281)
Income tax on remeasurement of defined benefit liability	B2	**374**	1,814
Total items that will not be reclassified to profit or loss		**(2,055)**	(3,576)
Total comprehensive income/(expense) for the year attributable to the equity holders of the parent		**1,986**	34,924

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 2020

	Note	2020 $'000	2019 $'000
Current Assets			
Cash and cash equivalents	D1(a)	**17,272**	12,127
Other financial assets	D5	**30,000**	28,000
Trade and other receivables	D2	**9,863**	22,505
Inventories	D3	**16,161**	13,464
Biological assets	C1	**7,688**	11,375
Total Current Assets		**80,984**	87,471
Non Current Assets			
Trade and other receivables	D2	**1,751**	1,454
Biological assets	C1	**175,612**	163,925
Property, plant and equipment	D4	**21,122**	14,245
Other investments	D5	**5**	5
Total Non Current Assets		**198,490**	179,629
Total Assets		**279,474**	267,100
Current Liabilities			
Trade and other payables	D6 (a)	**15,068**	18,870
Lease liabilities	D6 (b)	**542**	-
Revenue received in advance	D7	**3,441**	3,423
Re-establishment provision	C2	**2,684**	2,741
Employee benefits	E2	**3,653**	3,310
Total Current Liabilities		**25,388**	28,344
Non Current Liabilities			
Lease liabilities	D6 (b)	**8,686**	-
Revenue received in advance	D7	**6,321**	6,386
Re-establishment provision	C2	**8,455**	5,580
Employee benefits	E3	**29,848**	26,849
Deferred tax liability	B2	**19,290**	18,440
Total Non Current Liabilities		**72,600**	57,255
Total Liabilities		**97,988**	85,599
Net Assets		**181,486**	181,501
Equity			
Contributed equity		**386,568**	386,568
Reserves		**4,817**	6,860
Retained earnings / (Accumulated losses)		**(209,899)**	(211,928)
Total Equity		**181,486**	181,501

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 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Inflows:			
Cash receipts from customers		**176,668**	152,634
Government revenue for services		**15,357**	21,897
Interest received		**901**	1,288
Outflows:			
Payments to suppliers		**(156,115)**	(144,271)
Employee costs		**(15,638)**	(15,572)
Redundancy payments		**-**	(94)
RBF annuity payments		**(116)**	(114)
RBF lump sum payments		**(141)**	(677)
Finance charges - leased assets		**(499)**	-
Foreign exchange losses		**(499)**	(203)
Net cash provided by / (used in) operating activities	D1(b)	**19,918**	14,888
Cash flows from investing activities			
Inflows:			
Proceeds from investment in short-term assets		**-**	1,550
Proceeds from sale of property, plant and equipment		**607**	100
Outflows:			
Payments for investment in short-term assets		**(2,000)**	-
Payments to suppliers and employees for biological assets		**(8,648)**	(4,885)
Payments for property, plant and equipment and other assets		**(1,676)**	(335)
Net cash provided by / (used in) investing activities		**(11,717)**	(3,570)
Cash flows from financing activities			
Outflows:			
Lease payments		**(1,056)**	-
Ordinary dividend		**(2,000)**	-
Special dividend		**-**	(15,000)
Net cash provided by / (used in) financing activities		**(3,056)**	(15,000)
Net increase/(decrease) in cash and cash equivalents held		**5,145**	(3,682)
Cash and cash equivalents at the beginning of the year		**12,127**	15,809
Cash and cash equivalents at the end of the year	D1(a)	**17,272**	12,127

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 2020

	Contributed Equity $'000	Property & General Revaluation Reserve $'000	Retained Earnings / (Accumulated losses) $'000	Total Equity $'000
Balance at 30 June 2018	386,568	6,206	(231,197)	161,577
Total comprehensive income for the year				
Profit or loss	-	-	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
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	386,568	6,860	(211,928)	181,501
Balance at 30 June 2019	**386,568**	**6,860**	**(211,928)**	**181,501**
Total comprehensive income for the year				
Profit or loss	**-**	**-**	**4,041**	**4,041**
Other comprehensive income				
Increase/(decrease) in the revaluation of land and buildings	**-**	**(2,043)**	**-**	**(2,043)**
Transfer of revaluation reserve increment on assets disposed	**-**	**-**	**861**	**861**
Remeasurement defined benefit superannuation liability	**-**	**-**	**(873)**	**(873)**
Total other comprehensive income	**-**	**(2,043)**	**(12)**	**(2,055)**
Total comprehensive income for the year	**-**	**(2,043)**	**4,029**	**1,986**
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Dividends to equity holders	**-**	**-**	**(2,000)**	**(2,000)**
Total contributions by and distributions to owners	**-**	**-**	**(2,000)**	**(2,000)**
Balance at 30 June 2020	**386,568**	**4,817**	**(209,899)**	**181,486**

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 2020

A1 Details of reporting entity

The financial statements and notes thereto relate to Forestry Tasmanian trading as 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 2020 were authorised for issue by the Board of Directors on 6 August 2020.

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;
- Right of use assets in note D4;
- Lease liabilities in note D6;
- Investments disclosed in note F1;
- Superannuation liabilities are based on the projected unit credit method in note E1 and E4.

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 2019

AASB 16 Leases

The Australian Accounting Standards Board issued AASB 16 in February 2016. AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements. The Organisation has applied AASB 16 from 1 July 2019 in accordance with the modified retrospective transitional approach, with the cumulative effect of initially applying the Standard recognised as an adjustment to equity at the date of initial application as detailed below.

The Organisation applied the practical expedients where both lease liability and corresponding right of use asset were measured at the present value of the remaining lease payments on 1 July 2019. The Organisation applied the incremental borrowing rate of 5% to lease liabilities recognised in the statement of financial position at the date of initial application. A threshold limit of $5,000 was applied to identify right of use assets.

The Organisation recognised a right of use asset of $9.7 million on 1 July 2019 with a corresponding lease liability of $9.7 million. At 30 June 2020, the right of use asset was valued at $9 million and the corresponding lease liability was $9.2 million.

Operating lease commitments disclosed at 30 June 2019 totalled $10.7 million compared to lease liabilities recognised in the statement of financial position at the date of initial application of $9.7 million. The difference results from discounting the lease liability using the incremental borrowing rate.

The overall financial impact from adoption of AASB 16 has been to reduce operating costs, increase depreciation costs and increase financing charges resulting in a net expense of $0.2 million being recognised in profit and loss during the year.

A6 New standards not yet adopted

A number of new or amended standards are effective for annual periods beginning after 1 July 2020 and earlier application is permitted, however the Organisation has not yet early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Organisation's financial statements:

- Definition of Business (Amendments to AASB 3 *Business Combinations*)
- Definition of Material (Amendments to AASB 1 and AASB 8).

Section B: Details on Financial Performance

Sustainable Timber Tasmania
For the year ended 30 June 2020

B1 Operating Profit

B1(a) Disaggregated 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 standalone 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 revenue for services is received from the State 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) Disaggregated revenue:

	Note	Sale of forest products 2020 $'000	Sale of leases, licenses, insurance proceeds and other forest management services 2020 $'000	Performance of Community Service Obligations 2020 $'000	Total 2020 $'000
Type of goods or services					
Australia		**146,968**	**12,712**	**15,357**	**175,037**
Other countries		**-**	**-**	**-**	**-**
		146,968	**12,712**	**15,357**	**175,037**
Timing of revenue recognition					
Goods transferred at a point in time		**146,968**	**311**	**-**	**147,279**
Services transferred over time		**-**	**6,703**	**15,357**	**22,060**
Insurance proceeds	B1(c)	**-**	**5,698**	**-**	**5,698**
		146,968	**12,712**	**15,357**	**175,037**

	Note	Sale of forest products 2019 $'000	Sale of leases, licenses, insurance proceeds 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		-	4,742	21,897	26,639
Insurance proceeds	B1(c)	-	189	-	189
		150,344	5,166	21,897	177,407

Section B: Details on Financial Performance (continued)

Performance of Community Service Obligations includes:

	2020 $'000	2019 $'000
Land management	**10,000**	12,000
Fuel reduction	**2,000**	2,000
Fire prevention	**2,000**	2,000
Re-imbursement of fire-fighting costs	**1,357**	5,897
Total revenue from the performance of Community Service Obligations	**15,357**	21,897

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

	2020 $'000	2019 $'000
Fire prevention	**2,541**	2,005
Fire-fighting costs	**4,457**	8,320
Net costs incurred in the performance of Fire Prevention Community Service Obligation	**6,998**	10,325

In 2020, STT incurred a net fire-fighting cost of $3,100,000 (2019: $2,423,000).

B1(c) Net income/(expense) from insurance proceeds

	2020 $'000	2019 $'000
Insurance proceeds	**5,698**	189
Expenses incurred in repairing and reinstating insured assets	**(5,712)**	-
Net income/(expense) from insurance proceeds	**(14)**	(189)
Expenses incurred in repairing and reininstating uninsured assets	**558**	-

In 2020, STT incurred expenses totalling $558,000 to repair and re-instate uninsured multi-use assets that were damaged in the January, 2019 bushfires. The insurance claim is ongoing and STT expects to continue to make claim under the policy in FY21. STT also expects to incur additional expenses in repairing and reinstating uninsured assets estimated to be of the order of $442,000 in FY21.

B1 (d) Expenses from operations

	2020 $'000	2019 $'000
Contractor and freight expenses	**129,679**	133,042
Vehicle lease and associated costs	**708**	1,508
Property rental	**39**	791
Professional services	**2,075**	1,859
Consultancies	**109**	225
Local government rates	**1,574**	1,489
Property management	**6,506**	907
Equipment purchases and rentals	**836**	1,028
Office expenses	**879**	631
Information technology expense	**1,081**	758
Travel and accommodation	**263**	292
Operating lease rentals	**330**	309
Credit losses incurred	**-**	352
Impairment/(reversal of prior period impairment) of trade receivables	**(247)**	(1,550)
Impairment of inter-company loan	**-**	296
Impairment of non-current asset	**100**	-
Other expenses	**3,226**	2,770
	147,159	144,708

The Organisation adopted AASB 16 *Leases* during the financial year which resulted in (i) vehicle expenses totalling $864,000 and (ii) property lease expenses totalling $686,000 previously classifed as vehicle lease and associated costs and property rental now being classified as depreciation expenses - right to use assets (at B1(e)) and finance charges - leased assets (at B1(g)). Application of AASB 16 *Leases* is disclosed at Note A5.

Section B: Details on Financial Performance (continued)

B1(e) Depreciation and amortisation expense

	Note	2020 $'000	2019 $'000
Plant and equipment	D4	**385**	333
Roads and road structures	C1	**2,485**	3,298
Buildings and leasehold improvements	D4	**339**	345
Right to use assets	D4	**1,338**	-
		4,547	3,976

B1(f) Employee benefits expense

	Note	2020 $'000	2019 $'000
Salaries and wages		**15,695**	14,727
Redundancy		**-**	93
Other employment related expenses		**229**	170
Contribution to accumulation superannuation funds		**1,446**	1,403
Employee service cost for defined benefit scheme	E4	**993**	798
		18,363	17,191
Total expenses from operations, depreciation, amortisation and employee benefits expense		**170,069**	165,875

B1 (g) Finance income and expense

Accounting policy

Finance income comprises interest income on funds invested, dividend income and gains on hedging instruments that are recognised in profit or loss. Finance income is recognised as it accrues in profit or loss, using the effective interest method.

Dividend income is recognised in profit or loss on the date that the Organisation's right to receive payment is established.

Finance expense comprises interest expense on borrowings, impairment losses recognised on financial assets, interest cost associated with the superannuation liability, losses on hedging instruments and finance associated with lease liabilities. 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.

	2020 $'000	2019 $'000
Recognised in profit or loss:		
Interest income	**901**	1,564
Total Finance income	**901**	1,564
Foreign exchange losses	**(499)**	(203)
Employee benefit superannuation interest costs	**(874)**	(861)
Finance charges - leased assets	**(499)**	-
Total Finance expense	**(1,872)**	(1,064)

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

	2020 $'000	2019 $'000
(Gain)/loss on sale or disposal of assets	**62**	265
	62	265
Reconciliation of sale of assets		
Asset cost	**1,256**	736
Written down value	**669**	365
Proceeds from sale	**(607)**	(100)
(Gain)/loss on sale or disposal of assets	**62**	265

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

	2020 $'000	2019 $'000
Current income tax relating to prior years	**1**	-
Current income tax expense/(benefit)	**(643)**	(2,108)
Increase/(decrease) in deferred tax asset	**4,533**	581
(Increase)/decrease in deferred tax liability	**(4,742)**	(13,577)
Movement posted direct to other comprehensive income	**(374)**	(1,533)
Movement posted direct to equity reserve	**(507)**	-
	(1,731)	(16,637)

Tax expense to pre tax net profit is reconciled below.

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

	2020 $'000	2019 $'000
Profit / (loss) before tax	**5,772**	55,138
Income tax (expense) / benefit using the domestic tax rate of 30% (2019:30%)	**(1,732)**	(16,541)
Expenditure not allowable for income tax purposes	**3**	(7)
Recognition of net deferred tax asset from prior year	**-**	-
Recognition of roads deferred tax asset previously derecognised	**-**	-
Add prior year under / over provision	**(1)**	-
Impairment of intercompany receivable	**-**	(89)
Add non-temporary movement in superannuation investments	**-**	-
Income tax (expense)/benefit on pre tax net profit	**(1,731)**	(16,637)

B2 (c) Deferred tax balances

	2020 $'000	2019 $'000
Assets		
Non current	**34,976**	31,084
Liabilities		
Non current	**(54,266)**	(49,524)
Net deferred tax asset/(liability)	**(19,290)**	(18,440)

Section B: Details on Financial Performance (continued)

B2(d) Reconciliation of deferred tax balances

	2020					
	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	**9,042**	**-**	**991**	**-**	**-**	**10,033**
Other	**5,808**	**-**	**783**	**-**	**-**	**6,591**
Property, plant, equipment and land	**10,650**	**-**	**2,251**	**-**	**507**	**13,408**
Deferred tax losses	**5,584**	**1**	**(642)**	**-**	**-**	**4,943**
Transfer - deferred tax liability	**(31,084)**	**-**	**-**	**-**	**-**	**(34,975)**
Total	**-**	**1**	**3,384**	**-**	**507**	**-**
Deferred tax liabilities						
Biological assets	**(48,105)**	**-**	**(1,563)**	**-**	**-**	**(49,668)**
Inventories	**(1,419)**	**-**	**(87)**	**-**	**-**	**(1,506)**
Property, plant, equipment and land	**-**	**-**	**(3,092)**	**-**	**-**	**(3,092)**
Transfer - deferred tax asset	**31,084**	**-**		**-**	**-**	**34,975**
Total	**(18,440)**	**-**	**(4,742)**	**-**	**-**	**(19,290)**
Net deferred tax assets/(liabilities)	**(18,440)**	**1**	**(1,358)**	**-**	**507**	**(19,290)**

	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 asset	(32,597)	-	-	-	-	(31,084)
Total	-	-	(3,045)	-	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)

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 did not pay a Special Dividend under Section 86 of the Government Business Enterprise Act *(1995) in 2019/20 (2018/19: $15 million).*

An ordinary dividend of $2 million was paid during the 2019/20 financial year in relation to 2018/19 results (2019: $Nil).

The Board will advise the Treasurer and the Portfolio Minister of its recommendation in respect of a dividend payable by the Organisation, if any, in respect of the 2019/2020 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 2020

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 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.

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

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

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

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

The Organisation has exclusive management rights over Permanent Timber Production Zone (PTPZ) land including special timber zones.

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

A discounted cash flow approach is applied to estimate the enterprise value and obligations of the forest estate, roads and land.

The forest estate value reflects the quantities available for harvest under the Forest Management Act *(2013). A market derived discount rate of 8.50% (2019: 8.5%) 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.*

	2020 $'000	**2019 $'000**
Current		
Standing timber at valuation	**7,688**	11,375
Non current		
Standing timber at valuation	**156,882**	150,803
Roads and road structures	**7,591**	4,801
Re-establishment make good assets	**11,139**	8,321
	175,612	163,925
	183,300	175,300

Section C: The Forest Estate (continued)

Reconciliation of biological assets ($000)

	Forest	Make Good	Roads	Total
Carrying amount as at 1 July 2019	**162,177**	**8,321**	**4,802**	**175,300**
Additions	**556**	**5,441**	**5,536**	**11,533**
Net movement work in progress	**-**	**(2,623)**	**(262)**	**(2,885)**
Depreciation	**-**	**-**	**(2,485)**	**(2,485)**
Revaluation	**1,837**	**-**	**-**	**1,837**
Carrying amount as at 30 June 2020	**164,570**	**11,139**	**7,591**	**183,300**
Carrying amount as at 1 July 2018	118,821	6,257	5,722	130,800
Additions	24	4,235	2,273	6,532
Reallocation	(39)	(2,171)	(419)	(2,629)
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

The Organisation recognises an obligation to re-establish harvested coupes at the conclusion of harvesting activities by setting aside a provision equivalent to the expected costs of re-establishment. The provision is based on harvested area and estimated treatment costs. Re-establishment is assessed and costs are estimated during the 3 year period from completion of harvesting activities.

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 activities.

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

	2020 $'000	2019 $'000
Current	**2,684**	2,741
Non current	**8,455**	5,580
	11,139	8,321

Section D: Details on Financial Position Items

Sustainable Timber Tasmania
For the year ended 30 June 2020

D1 Cash and Cash Equivalents

Accounting policy

Cash and cash equivalents are classified as available-for-sale financial assets and measured at fair value subsequent to initial recognition, which is the face value of the cash. Cash and cash equivalents comprise cash at bank, cash on hand and shortterm deposits with an original maturity date of 90 days or less. Term deposits with an original maturity date of between 91 days and 365 days from balance date are disclosed as other financial assets at D5. 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

	2020 $'000	2019 $'000
For the purposes of the Cash flow statements, cash and cash equivalents comprise the following as at 30 June:		
Cash at bank	**1,313**	573
Short term deposits	**15,955**	11,550
Floats and advances	**4**	4
	17,272	12,127

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

	2020 $'000	2019 $'000
Net profit/(loss) after tax	**4,041**	38,501
Add/(less) items classified as investing/financing activities:		
(Profit)/loss on disposal of non current assets	**62**	265
Finance lease charges	**(1,056)**	-
Add/(less) non-cash items:		
Depreciation and amortisation	**4,547**	3,976
Accrued interest revenue	**-**	(277)
Income tax expense	**1,731**	16,637
Biological asset valuation (increment) /decrement	**(1,837)**	(43,371)
Impairment/(reversal of impairment) of trade receivables	**(247)**	(1,550)
Impairment of inter-company loan	**-**	296
Impairment of property, plant and equipment	**100**	-
Recognition/(Derecognition) of revenue received in advance	**66**	66
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	**12,345**	(7,359)
(Increase)/decrease in inventories	**(2,697)**	(5,490)
Increase/(decrease) in trade and other payables	**(3,250)**	11,024
Increase/(decrease) in employee benefits	**3,342**	(11)
Increase/(decrease in re-establishment provision	**2,818**	2,064
Increase/(decrease) in revenue received in advance	**(47)**	117
Net cash provided by operating activities	**19,918**	14,888

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)

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

	Lease liabilities	Borrowings	Total
Carrying amount as at 1 July 2019	**-**	**-**	**-**
Changes from financing cash flows:			
Cash Received	**-**	**-**	**-**
Cash Repayments	**(1,056)**	**-**	**(1,056)**
Balance as at 30 June 2020	**(1,056)**	**-**	**(1,056)**

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 2020 was 49 days (2019: 63 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 $ 247,000 (2019: $2,471,000) has been de-recognised within other expenses.

	2020 $'000	2019 $'000
Current		
Trade and other receivables	**8,622**	9,688
Less provision for impairment	**(504)**	(750)
Accrued revenue	**632**	12,591
Prepayments	**1,113**	976
Total current receivables	**9,863**	22,505
Non current		
Intercompany loan	**1,963**	1,666
Provision for intercompany receivable	**(296)**	(296)
Other	**84**	84
Total non current receivables	**1,751**	1,454

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.

	2020 $'000	2019 $'000
Gravel stocks at cost	**2,502**	2,058
Seed and seedlings at cost	**2,259**	2,281
Timber at cost	**11,141**	8,734
Stores general at cost	**259**	391
	16,161	13,464

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 2020 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.

The Organisation recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by the Organisation. The right-of-use assets are initially measured at cost, which comprises:
– the amount of the initial measurement of the lease liability,
– any lease payments made at or before the commencement date, less any lease incentives,
– any initial direct costs incurred by the lessee,

Section D: Details on Financial Position Items (continued)

– an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

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 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.

If the lease transfers ownership of the underlying asset to the Organisation by the end of the lease term or if the cost of the right-of-use asset reflects that the Organisation will exercise a purchase option, the Organisation depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Organisation depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Reconciliation of property, plant and equipment assets

	Land $'000	Buildings $'000	Right to use assets $'000	Plant & equipment $'000	Capital work in progress $'000	Total $'000
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**
Carrying amount at 1 July 2019	**1,975**	**9,663**	**-**	**2,523**	**84**	**14,245**
Opening carrying value on adoption of AASB 16 Leases	**-**	**-**	**9,721**	**-**	**-**	**9,721**
Additions	**-**	**-**	**584**	**593**	**1,092**	**2,269**
Disposals	**(62)**	**(589)**		**(18)**	**-**	**(669)**
Revaluation	**(771)**	**(604)**	**-**	**-**	**-**	**(1,375)**
Revaluation decrement	**-**	**(314)**	**-**	**-**	**-**	**(314)**
Impairment	**(100)**	**-**	**-**	**-**	**-**	**(100)**
Movement in work in progress	**-**	**-**	**-**	**-**	**(593)**	**(593)**
Depreciation	**-**	**(339)**	**(1,338)**	**(385)**	**-**	**(2,062)**
Carrying amount at 30 June 2020	**1,042**	**7,817**	**8,967**	**2,713**	**583**	**21,122**
Original cost of assets 30 June 2020	**1,201**	**6,424**	**-**	**2,565**	**-**	**10,190**

Section D: Details on Financial Position Items (continued)

D5 Other financial assets

Accounting policy

Short-term deposits are fixed interest term deposits with an original maturity date of between 91 days and 365 days from balance date. Term deposits with an original maturity date of 90 days or less are disclosed as cash and cash equivalents at note D1.

	2020 $'000	2019 $'000
Current		
Short-term deposits	**30,000**	28,000
Total current financial assets	**30,000**	28,000
Non current		
Investment in Huon Valley Financials Pty Ltd	**5**	5
	5	5

D6 (a) 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.

	2020 $'000	2019 $'000
Current		
Trade creditors and other payables	**9,585**	8,408
Accrued expenses	**5,483**	10,462
Total current payables	**15,068**	18,870

D6 (b) Lease liabilities

Accounting policy

The Organisation recognises a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

– fixed payments, less any lease incentives receivable;
– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
– amounts expected to be payable by the lessee under residual value guarantees;
– the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
– payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments exclude variable elements which are dependent on external factors such as e.g. sale volume in the point of sale leased. Variable lease payments not included in the initial measurement of the lease liability are recognised directly in the profit and loss.

The lease payments are discounted using the Organisation's incremental borrowing rate or the rate implicit in the lease contract. The lease term determined by the Organisation comprises:

– non-cancellable period of lease contracts,
– periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option,
– periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

After the commencement date the Organisation measures the lease liability by:

– increasing the carrying amount to reflect interest on the lease liability,
– reducing the carrying amount to reflect lease payments made, and
– re-measuring the carrying amount to reflect any reassessment or lease modifications.

	2020 $'000	2019 $'000
Current	**542**	-
Non current	**8,686**	-
	9,228	-

Section D: Details on Financial Position Items (continued)

D7 Revenue received in advance

Accounting policy

Revenue received in advance includes funds received under the Tasmanian Forest Agreement (TFA). There was no qualifying expenditure incurred during the year to further reduce the liability (2019: $Nil).

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.

	2020 $'000	2019 $'000
Current	**3,441**	3,423
Non current	**6,321**	6,386
	9,762	9,809

Reconciliation of revenue received in advance

	2020 $'000	2019 $'000
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	**6,386**	6,452
Receipts	**-**	-
Revenue recognised in comprehensive income	**(66)**	(66)
Closing balance	**6,320**	6,386
Other revenue received in advance		
Opening balance	**398**	215
Receipts	**19**	183
Other activities	**-**	-
Closing balance	**417**	398
Closing balance 30 June	**9,762**	9,809

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. As part of the Tasmanian Government's response to the COVID-19 pandemic, the Treasurer has ensured that all Government businesses have access to sufficient funding.

On 15 June 2020 the Treasurer provided explicit support to the Tasmanian Public Finance Corporation for the Organisation's maximum borrowing limit of $5 million.

As at 30 June 2020 no borrowings have been required by the Organisations.

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 A$2,000,000 multi-currency overdraft facility to facilitate foreign currency dealings (2019: US$2.0 million).

The facility was undrawn at 30 June 2020 (2019: $nil).

The Organisation also 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 (2019:17.99% pa) payable monthly.

The facility was drawn in the amount of $138,000 at 30 June 2020 (2019: $134,000).

	2020 $'000	2019 $'000
Financing arrangements		
The Organisation has access to the following lines of credit:		
Total facilities available:		
Credit cards	**500**	500
Foreign currency overdraft facility	**-**	2,852
Multi currency overdraft facility	**2,000**	-
Loan facility - secured	**-**	-
	2,500	3,352
Facilities used at balance date:		
Credit cards	**138**	134
Foreign currency overdraft facility	**-**	-
Multi currency overdraft facility	**-**	-
Loan facility - secured	**-**	-
	138	134
Facilities not utilised at balance date:		
Credit cards	**362**	366
Foreign currency overdraft facility	**-**	2,852
Multi currency overdraft facility	**2,000**	-
Loan facility - secured	**-**	-
	2,362	3,218

Section E: Employee Entitlements

Sustainable Timber Tasmania
For the year ended 30 June 2020

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 2020 is based on a corporate bond yield of 3.15% (2019: 3.25%).

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 2020. The provision also includes an allowance for incurred but unreported claims at 30 June 2020.

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

	2020 $'000	2019 $'000
Annual leave	**1,173**	986
Long service leave	**1,860**	1,775
Superannuation defined benefit scheme (see note below)	**568**	534
Workers compensation	**52**	15
	3,653	3,310

E3 Non current employee benefits

	2020 $'000	2019 $'000
Long service leave	**142**	102
Superannuation defined benefit scheme (see note below)	**29,706**	26,747
	29,848	26,849
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% (2019 range 2.47% to 4.01%).		
Settlement terms (years) - long service leave.	**10 years**	10 years

E4 Superannuation liability

	2020	2019
Key assumptions		
Assumptions to determine Defined Benefit Cost and start of year Defined Benefit Obligation		
Discount rate (active members)	**3.25%**	4.30%
Discount rate (pensioners)	**3.25%**	4.30%
Expected rate of increase of compulsory preserved amounts	**3.00%**	3.00%
Expected salary increase rate	**3.00%**	3.00%
Expected pension increase rate	**2.50%**	2.50%
Assumptions to determine End of Year Defined Benefit Obligation		
Discount rate (active members)	**3.15%**	3.25%
Discount rate (pensioners)	**3.15%**	3.25%
Expected salary increase rate	**3.00%**	3.00%
Expected rate of increase of compulsory preserved amounts	**3.00%**	3.00%
Expected pension increase rate	**2.25%**	2.50%

Sensitivity analysis

Scenario A - 0.5% pa lower discount rate assumption

Scenario B - 0.5% pa higher discount rate assumption

Scenario C - 0.5% pa lower expected pension increase rate assumption

Scenario D - 0.5% pa higher expected pension increase rate assumption

	Actual	Scenario A	Scenario B	Scenario C	Scenario D
Discount rate (pa)	3.15%	2.65%	3.65%	3.15%	3.15%
Pension increase rate (pa)	2.25%	2.25%	2.25%	1.75%	2.75%
Defined benefit obligation (A$'000s)	34,572	37,729	31,799	32,881	36,453

Section E: Employee Entitlements (continued)

	2020 $'000	2019 $'000
Profit or loss impact		
Current service cost	**993**	798
Net interest	**874**	861
Past service cost	**-**	-
Gain/loss on settlements	**-**	-
Defined benefit cost recognised in profit or loss	**1,867**	1,659
Other comprehensive income		
Actuarial (gains) losses	**1,075**	5,571
Actuarial return on plan assets less interest income	**172**	474
(+) Adjustment for effect of asset ceiling	**-**	-
Total remeasurements recognised in other comprehensive income	**1,247**	6,045
Reconciliation of the Net Defined Benefit Liability/(Asset)		
Defined Benefit Obligation	**34,572**	31,343
Fair value of plan assets	**(4,298)**	(4,062)
Deficit/(surplus)	**30,274**	27,281
Adjustment for effect of asset ceiling	**-**	-
Net defined benefit liability/(asset)	**30,274**	27,281
Current net liability	**568**	534
Non current net liability	**29,706**	26,747
Reconciliation of the Fair Value of Scheme Assets		
Fair value of plan assets at beginning of the year	**4,062**	4,191
Interest income	**135**	185
Actual return on plan assets less interest income	**(172)**	(474)
Employer contributions	**121**	747
Contributions by plan participants	**293**	295
Benefits paid	**(141)**	(881)
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	**4,298**	4,062

Section E: Employee Entitlements (continued)

	2020 $'000	2019 $'000
Reconciliation of the Defined Benefit Obligation		
Present value of defined benefit obligation at beginning of the year	**31,343**	24,515
Current service cost	**993**	798
Interest cost	**1,009**	1,046
Contributions by plan participants	**293**	295
Actuarial (gains)/losses arising from changes in demographic assumptions	**(338)**	-
Actuarial (gains)/losses arising from changes in financial assumptions	**(306)**	5,123
Actuarial (gains)/losses arising from liability experience	**1,719**	448
Benefits paid	**(141)**	(881)
Taxes, premiums and expenses paid	**-**	1
(-) Transfers out	**-**	-
(-) Contribution by owner	**-**	-
(+) Past service cost	**-**	-
(+) Gain/loss on settlements	**-**	-
(+) Settlements	**-**	-
(+) Exchange rate changes	**-**	-
	34,572	31,343

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	-	-	-	-
Australian equity	688	-	688	-
International equities	877	-	877	-
Infrastructure	554	150	-	404
Diversified fixed interest	1,083	-	1,083	-
Property	774	-	774	-
Alternative investments	322	-	322	-
Total	**4,298**	**150**	**3,744**	**404**

The maturity profile at 30 June 2020 is 17.6 years.

Expected employer contributions for the year ended 30 June 2021 are $568,000 (30 June 2020: $534,000)

Section E: Employee Entitlements (continued)

	2020 $'000	2019 $'000
Current service cost		
1 Total current service cost at beginning of year	**(1,246)**	(1,047)
2 Interest for the year	**(40)**	(45)
3 Expected contributions tax and expenses	**-**	(1)
4 Expected employee contributions	**293**	295
5 Expected change in contributions tax provision	**-**	-
6 Accumulation contributions met from surplus	**-**	-
7 Current service cost	**(993)**	(798)
Interest expense		
1 Defined benefit obligation at beginning of year	**31,343**	24,516
2 Expected distributions	**(624)**	(398)
a. Weighted timing	**(313)**	(200)
3 Average defined benefit obligation (1-2a)	**31,030**	24,316
4 Discount rate	**3.25%**	4.30%
5 Interest expense (3 x 4)	**(1,009)**	(1,046)
Interest income		
1 Fair value of plan assets at beginning of year	**4,062**	4,191
2 Expected employer contributions	**534**	337
a. Weighted for timing	**267**	169
3 Expected employee contributions	**293**	295
a. Weighted for timing	**147**	148
4 Expected distributions during year	**624**	398
a. Weighted for timing	**313**	200
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)	**4,164**	4,308
7 Discount rate	**3.25%**	4.30%
8 Interest income (6x7)	**135**	185
Net interest		
1 Interest expense	**(1,009)**	(1,046)
2 Interest income	**135**	185
3 Net interest (1-2)	**(874)**	(861)
Actuarial (Gains)losses (recognised in Other Comprehensive Income)		
1 Actuarial (gain)/loss on Defined Benefit Obligation - experience	**1,719**	448
2 Actuarial (gain)/loss on Defined Benefit Obligation - change in demographic assumptions	**(338)**	-
3 Actuarial (gain)/loss on Defined Benefit Obligation - change in financial assumptions	**(306)**	5,123
4 Actuarial (gain)/loss (1+2+3)	**1,075**	5,571

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 5 members at 30 June 2020 (2019: 6 members). The Remuneration Committee of the Board is responsible for determining and reviewing compensation arrangements for members of the General Management Team.

When members of key management personnel are unable to fulfill their duties, consideration is given to appointing other members of senior staff to their position during their period of absence. Individuals are considered members of key management personnel when acting arrangements are for more than a period of one month. In the current year, Mrs Johnson and Mr Pereira were appointed to the above positions for the periods shown, whilst Mr Brookwell was on extended leave during the period 11 August 2019 – 2 December 2019 (inclusive).

There was 1 overseas trip attended by the Chairman and Chief Executive Officer during the year (2019: 1). There were no overseas trips undertaken by any other employee of the business during the year (2019: 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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Short-term employee benefits	**381**	388	**1,349**	1,331	**1,730**	1,719
Post-employments benefits	**36**	35	**133**	131	**169**	166
Other long-term benefits	**-**	-	**13**	42	**13**	42
Termination benefits	**-**	-	**-**	-	**-**	-
	417	423	**1,495**	1,504	**1,912**	1,927

2020 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 Fégely	Chairman	01-Jun-2016		**108**	**-**	**10**	**-**	**117**
Dr C Mucha	Director	29-Apr-2013	23-Nov-2019	**21**	**1**	**2**	**-**	**24**
Ms S Baker	Director	15-Dec-2015		**51**	**4**	**5**	**-**	**61**
Prof M Hunt	Director	22-Dec-2015		**51**	**4**	**5**	**-**	**61**
Dr L Bull	Director	22-Dec-2015	31-Jul-2019	**5**	**0**	**1**	**-**	**6**
Mrs K A Westwood	Director	01-Aug-2018		**51**	**7**	**6**	**-**	**64**
Mrs T Ryan	Director	01-Jul-2019		**51**	**5**	**5**	**-**	**61**
Ms K Schaefer	Director	01-Feb-2020		**20**	**1**	**2**	**-**	**23**
Total				**358**	**23**	**36**	**-**	**417**

During the year, the Board resolved to not seek an increase in board fees for the 2019-20 financial year.

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 Fégely	Chairman	01-Jun-2016		109	-	10	-	119
Dr C Mucha	Director	29-Apr-2013	23-Nov-2019	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	31-Jul-2019	52	5	5	-	62
Mrs K A Westwood	Director	01-Aug-2018		46	4	5	-	55
Total				363	25	35	-	423

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 2019-20 Name	Base Salary[1] $'000	Short-Term Incentive Payments[2] $'000	Superannuation[3] $'000	Vehicles[4] $'000	Other Monetary Benefits[5] $'000	Other Non-Monetary Benefits[6] $'000	Total Remuneration $'000	Termination Payments[7] $'000	Other Long-Term Benefits[8] $'000	Total $'000
Mr S Whiteley - CEO	377	-	44	2	-	-	423	-	13	436
Mr C Brookwell - GM Corporate Services	254	-	22	-	-	-	276	-	(14)	262
Mr D Bartlett - GM Business Development and Strategy	194	-	18	-	-	-	212	-	(5)	207
Mrs S Weeding - GM Forest Management	199	-	19	10	-	-	228	-	11	239
Mr G Hickey - GM Forest Products	203	-	19	2	-	-	224	-	14	238
Ms J Nicholls - Company Secretary and General Counsel (Resigned 22 November 2019)	48	-	4	-	-	-	52	-	(7)	45
Sub-total	1,275	-	127	14	-	-	1,415	-	13	1,428
Acting arrangements										
Mrs L Johnson - Acting GM Corporate Services (11 August 2019 - 4 October 2019)	29	-	3	-	-	-	32	-	-	32
Mr A Pereira - Acting GM Corporate Services (7 October 2019 - 5 December 2019)	31	-	3	-	-	-	34			34
Sub-total	61	-	6	-	-	-	66	-	-	66
Total	1,335	-	133	14	-	-	1,482	-	13	1,495

General Management Team Remuneration 2018-19 Name	Base Salary[1] $'000	Short-Term Incentive Payments[2] $'000	Superannuation[3] $'000	Vehicles[4] $'000	Other Monetary Benefits[5] $'000	Other Non-Monetary Benefits[6] $'000	Total Remuneration $'000	Termination Payments $'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 - Company Secretary and General Counsel	99	-	9	-	-	-	108	-	4	113
Total	1,316	-	131	15	-	-	1,462	-	8	1,504

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] Termination benefits include all forms of benefit paid or accrued as a consequence of termination.

[8] 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 2020

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-tomaturity 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 debttype 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

The Organisation's financial liabilities include trade and other payables and lease liabilities. 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

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*
- *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.

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.

Section F: Financial Instruments and Risk Management (continued)

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 head office, 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 counter party's contractual obligations.

The Organisation applies the 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 2020 and 30 June 2019 was determined as follows:

30 June 2020	**Current $'000**	**More than 30 days $'000**	**More than 60 days $'000**	**More than 90 days $'000**	**Total $'000**
Gross carrying amount	**6,183**	**531**	**155**	**1,753**	**8,622**
Expected credit loss	**-**	**-**	**-**	**(504)**	**(504)**
Net carrying amount	**6,183**	**531**	**155**	**1,249**	**8,118**

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

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.

Section F: Financial Instruments and Risk Management (continued)

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 2020, 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.

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% (2019: +/- 0.5%).

Section F: Financial Instruments and Risk Management (continued)

Description	Fair value at 30 June 2020 $'000	Unobservable inputs	Inputs	Relationship of unobservable inputs to Profit and Equity
Short term deposits	45.96	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 2019 $'000	Unobservable inputs	Inputs	Relationship of unobservable inputs to Profit and Equity
Short term deposits	39.50	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.

F1 Financial assets and liabilities

	Note	Amortised cost 2020 $'000	Assets at fair value through profit and loss (FVPL) 2020 $'000	Debt Fair value through other comprehensive income (FVOCI) 2020 $'000	Equity Fair value through other comprehensive income (FVOCI) 2020 $'000	Total 2020 $'000
Financial Assets						
Short term deposits	**D1 (a), (b)**	**45,955**	**-**	**-**	**-**	**45,955**
Other cash and cash equivalents	**D1**	**1,317**	**-**	**-**	**-**	**1,317**
Trade and other receivables	**D2**	**11,614**	**-**	**-**	**-**	**11,614**
Other short-term financial assets	**D5**	**-**	**5**	**-**	**-**	**5**
		58,886	**5**	**-**	**-**	**58,891**

	Note	Other liabilities (amortised cost) 2020 $'000	Total 2020 $'000
Financial Liabilities			
Trade and other payables	**D6 (a)**	**(15,068)**	**(15,068)**
Lease liabilities	**D6(b)**	**(9,228)**	**(9,228)**
Borrowings	**D8**	**-**	**-**
		(24,296)	**(24,296)**

Section F: Financial Instruments and Risk Management (continued)

	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 (a), (b)	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 (a)	(18,870)	(18,870)
Lease liabilities	D6(b)	-	-
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 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% and 2%. Deposits are either at-call or have a maturity date in 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.

Section F: Financial Instruments and Risk Management (continued)

F2 Derivative financial assets

Accounting policy

Recognition, initial measurement and derecognition

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 2020, 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 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 2020 $'000	Unobservable inputs	Inputs	Relationship of unobservable inputs to fair value
Forest estate incorporating biological asset	183.3	Price	5% increase	value increases $60.6m
		Discount rate	1% increase	value decreases $15.9m
		Discount rate	1% decrease	value increases $18.4m
		Cost	5% increase	value decreases $35.9m

Section G: Other Disclosures

Sustainable Timber Tasmania
For the year ended 30 June 2020

G1 Expenditure commitments

G1(a) Capital expenditure commitments

	2020 $'000	2019 $'000
Plantation establishment		
Not longer than one year	-	-
Between one and five years	-	-
Later than five years		
	-	-
Road construction		
Not longer than one year	-	-
Between one and five years	-	-
	-	-

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 2020.

The Organisation has an obligation pursuant to a forestry right to purchase future standing timber at the fair market value in the year 2116. 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 the year 2116 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 impractical having considered the uncertainties relating to the amount and timing of any outflow.

Section G: Other Disclosures (continued)

G3 Controlled entities

	2020 $'000	2019 $'000
Newood		
Income statement		
Revenue	**438**	531
Expenses	**(655)**	(574)
Income tax (expense) / benefit	**65**	13
Net profit/(loss)	**(151)**	(30)
Financial position		
Assets	**2,544**	2,329
Liabilities	**(1,991)**	(1,765)
Net assets/(liabilities)	**553**	564

Related party information

	Sales to related parties		Purchases from related parties		Amounts owed by related parties		Amounts owed to related parties	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Parent								
Newood Holdings Pty Ltd	**-**	-	**-**	-	**1,963**	1,666	**-**	-

G4 Auditors' remuneration

	2020 $'000	2019 $'000
Amounts paid and payable to the Tasmanian Audit Office for auditing the financial statements of the Organisation.	**109**	123
Amounts paid and payable to other service providers for internal and other regulatory audit services	**62**	123

G5 Events subsequent to balance date

2020

There have not been any matters or circumstances since the end of the financial year that have significantly affected or may have significantly affected the operations of the Organisation, the results of those operations or the state of affairs of the Organisation.

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.

Section G: Other Disclosures (continued)

G6 Geographical Information

All non-current assets are located within Australia.

	2020 $'000	2019 $'000
Revenue		
Australia	**177,775**	222,342
Asia	**-**	-
Total revenue	**177,775**	222,342

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.

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 2020

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 2020 and the financial position as at 30 June 2020, 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 2020 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 2020 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 2020 give a true and fair view.

Signed in accordance with a resolution of the directors.

Rob de Fégely AM
Director
6 August 2020

Suzanne Baker
Director
6 August 2020

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
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Web: www.audit.tas.gov.au

6 August 2020

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 2020, 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

Leigh Franklin
Assistant Auditor-General, Financial Audit Services
Delegate of the Auditor-General

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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 Sustainable Timber Tasmania (STT) which comprises the statement of financial position as at 30 June 2020, 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 2020 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 (including Independence Standards)* (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.

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I confirm that the independence declaration provided to the directors of STT on 6 August 2020 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 – Valuation of biological assets *Refer to note C1*	
STT relied upon independent external advice for the valuation of the current forest crop, \$164.57m. The valuation methodology applied to estimate the enterprise value and obligation for the biological assets currently involves an income capitalisation approach. The income capitalisation approach involves using a discounted cash flow analysis which estimates the net annual income derived from the forest in each year of the projected holding period of the asset. A market derived discount rate is then used to discount these annual net incomes to arrive at a present value of the existing forest estate. This complex calculation is subject to numerous assumptions. Changes in market conditions, discount rate and key assumptions are inherently subjective and impact on the value of biological assets. The valuation is a key audit matter due to the complexity and level of judgement required in the calculation.	• Assessing the scope of work, expertise, and independence of the expert engaged by management to value STT's biological assets. • Reviewing the validity of the valuation method used, including its compliance with the accounting framework, specifically *AASB 141 Agriculture*. • Reviewing the basis of the underlying assumptions used. • Validating the accuracy of data, including prices, volumes and costs provided by STT to its expert. • Verifying the accounting treatment for changes in the value of biological assets and assessing the adequacy of relevant disclosures in the financial report.

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Defined benefit superannuation liability *Refer to notes E1, E2, E3 and E4*	
STT has employees who are members of a defined benefit superannuation scheme. STT's obligations under these schemes (less fair value of plan assets) are recognised in the statement of financial position and are valued at $30.27m at 30 June 2020. The value of the unfunded superannuation liability and movements recognised in the financial statements are based on an annual independent valuation. This valuation is based upon a number of assumptions and the use of discount rates, all of which are subjective. The valuation is a key audit matter due to the complexity and level of judgement required in the calculation.	• Assessing the competence of the actuary who performed the valuation. • Evaluating the information provided by STT to the actuary • Engaging an independent expert to assist me to evaluate the reasonableness of the assumptions used by the State Actuary in determining the liability. • Verifying the accounting treatment for changes in the value of the liability and 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.

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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, actions taken to eliminate threats or safeguards applied.

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.

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Leigh Franklin
Assistant Auditor-General Financial Audit Services
Delegate of the Auditor-General

Tasmanian Audit Office

7 August 2020
Hobart

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Information Tables

TABLE 1:
Land Reservation in Tasmania by Forest Type

	Tasmania			Publicly managed land [3]			PTPZ [4] land				
Forest type [1] ('000's hectares)	**Total (ha)**	**Area reserved (ha)**	**%**	**Total (ha)**	**Area reserved (ha)**	**%**	**Total (ha)**	**Area reserved (ha)**	**%**	**Non-production (ha)**	**Production (ha)**
Tall native Eucalypt forest: Eucalypt forest with current or potential height of 34 metres or more	904	455	50	741	445	60	335	49	15	70	216
Short native Eucalypt forest: Eucalypt forest with current or potential height of less than 34 metres	1,500	752	50	858	682	79	185	35	19	45	105
Rainforest: Cool temperate rainforest with no significant ***Eucalypt or Acacia spp.***	557	491	88	537	490	91	62	17	27	25	19
Other native forest: Including ***Acacia, Melaleuca spp.*** etc.	155	94	61	124	92	74	38	9	24	18	11
Hardwood plantation	202	0	0	59	0	0	57	0	0	2	55
Softwood plantation	82	1	1	59	1	2	57	0	0	1	56
Non forest [2]: Including scrub, moorland, farmland, rock and lakes	3,390	1,567	46	1,753	1,536	88	79	16	20	49	13
Total	**6,790**	**3,360**	**49**	**4,137**	**3,247**	**78**	**812**	**127**	**16**	**210**	**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	23,000
Cultural Heritage	10,300
Geoconservation	46,450
Landscape	42,300

Aboriginal heritage sites	Number
On PTPZ land	710

Historic heritage sites	Number
On PTPZ land	1,556

Soil and geo-conservation management	Area (hectares)
Designated unavailable for wood production due to erosion risk	5,000
Managed for soil and geo-conservation values	81,750

TABLE 3:
Landscape Context Planning System Performance

Metric	Achieved (%)
Coupes meeting dispersal metric prescription	100
Coupes meeting the long term retention metric prescription	90
Average % of forest retained for the long term within 1km radius surrounding harvested coupes	26

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 2020	**Softwood**	**Hardwood**
Sustainable Timber Tasmania plantation on PTPZ land	2,547	23,532
Sustainable Timber Tasmania plantation on private land	-	224
Sustainable Timber Tasmania joint venture on PTPZ land	7,442	536
Sustainable Timber Tasmania joint venture on private land	97	169
Tassie Trees Trust plantation on PTPZ land	304	641
Private plantation on PTPZ land	43,817	28,515
Total 2019/20	**54,207**	**53,617**

TABLE 5:
Hardwood Plantation Thinning

Total area thinned (hectares)	Proportion meeting quality standard (%)
1,611	73

TABLE 6:
Pesticide Usage

Purpose of application	Area treated (hectares)
Plantation pre-plant weed control	209
Firebreak maintenance	21
Declared weed eradication	Roadside weeds controlled

Active Ingredient	Amount applied (kilogram of active ingredient)
Aminopyralid	10.1
Clopyralid	330.1
Glyphosate	127.1
Mesulfuron methyl	7.3
Picloram	10.1
Polyether polysiloxane	10.3
Triclopyr	70.8

Excludes nursery applications

Water Quality Sampling	Number
Pesticide operations sampled	1
Water quality samples submitted for independent analysis	11
Exceedences of Australian Drinking Water Guidelines	0

TABLE 7:
Fertiliser Usage

Nutrient type	Amount applied (kilogram of active ingredient)
Nitrogen	0.48
Phosphorus	0.11
Potassium	0.30

Excludes nursery applications

TABLE 8:
Fuel and Chemical Spills

	Number
Fuel or chemical spills in 2019-20	0

TABLE 9: Forest Health

Hardwood plantation area identified in 2019/20 with moderate or severe impact	Area (hectares)	
Health issue	**Moderate**	**Severe**
Soil fertility/site	-	79[2]
Insect damage	885[3]	117
Multiple causes	-	-
Climate/environmental	263[4]	-
Unknown	-	-
Silvicultural	-	-
Mammal damage	-	-
Fungal diseases	-	-
Weeds (incidence)	-	0 (16)[5]

1. *Travel restrictions due to COVID-19 limited assessmnet of the NW and NE regions in part.*
2. *Early branch death caused primarily by nutrient and moisture limitations.*
3. *Leaf beetle (Paropsisterna spp.) populations were low across the state. Includes 181 of low incidence mortality due to stem borers and 96 ha of foliar discolouration due to Cardiaspina feeding.*
4. *Low severity windthrow.*
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 for declared/ environmental weeds on PTPZ land managed by STT.*

Leaf Beetle Integrated Pest Management System 2019/20	Area (hectares)
Area monitored	3,411
Area monitored that was above control threshold	38
Area monitored above threshold and treated with alpha-cypermethrin	0
Total area treated	0
Area monitored above threshold with effective natural control	0
Area monitored above threshold and not treated	38[1]
% monitored area sprayed	0%

1. *Limited area, beetle populations in surrounding plantations very low.*

Long term retention areas on PTPZ land health and integrity assessment[1]	Presence of damage symptom (%)			
Damage symptom	**None**	**Low**	**Moderate**	**Severe**
Burnt - old/historical	52	40	8	0
Burnt - recent[2]	78	2	4	16
Overstorey wind	92	8	0	0
Midstorey wind	62	28	8	2
Understorey wind	60	30	10	0
Weeds	40	40	20	0
Illegal harvest	96	4	0	0
Other	98	2	0	0
Overstorey canopy condition	30	50	14	6
Midstorey canopy condition	60	16	14	10
Understorey canopy condition	74	4	2	20
Average	67	20	7	5
Gross reserve area sampled (hectares)				3,127

1. *This year involved reassessment of the Southern long term retention reserves which were first assessed in 2018.*
2. *A number of reserves were burnt in the Riveaux Road bushfire in summer 2018/2019 and are largely responsible for elevated damage scores in canopy condition.*

TABLE 10:
Access to PTPZ land

Roading Activity 2019/20	Length (kilometres)
New roads constructed	40.9
Roads maintained	3,076

Leases and Licences on PTPZ land	Number
Total leases, licences and easements	603
Leases, licences and easements currently subject to negotiation	46

Apiary sites on PTPZ land	Number
Total	308

Forest Activity Assessments conducted in 2019/20	Number
Assessments conducted	95

TABLE 11:
Bushfire Management

Bushfire 2019/20	Area (hectares)
PTPZ land burnt by bushfires	14,000

Contribution to State bushfire fighting effort 2019/20	Control effort (person hours)
General firefighting activites as crew members, strike team leaders, heavy tanker drivers and tree fellers	10,421
Incident management teams as incident controllers, and in planning roles such as mapping, resourcing and behaviour prediction	4,215
Divisional or sector command	2,882
Firefighting activities undertaken by contractors	14,608
Total	**32,126**

TABLE 12:
Planned Burning

Planned burns conducted on PTPZ land 2019/20	Number	Area (hectares)
Low intensity regeneration	32	1,348
High intensity regeneration	59	1,875
High intensity plantation	7	352

Air quality monitoring	Number
Planned burn season	11 March 2020 to 29 June 2020
Smoke events above the PM2.5 air quality standard at BLANKeT sites during burning season	27
Smoke events above PM2.5 air quality standard that STT planned burning may have contributed	0
Air qualiy 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 2019/20		
Source	**Usage (litres or kilowatt hours)**	**CO2-e**
Unleaded	2,711	6,462
Diesel	328,879	893,835
Oil	2,275	6,707
Electricity	904,736	108,568
Total		**1,015,572**

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

TABLE 14: Native Forest Harvested

Native forest type harvested	Harvest type	Area harvested (hectares)
Regrowth	Partial	3,773
Old growth	Partial	455
Regrowth	Clearfell	1,543
Old growth	Clearfell[1]	27

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)	109,012	cubic metres
		Construction grade sawlog (Cat 1&3)	8,912	cubic metres
		Sliced veneer grade	969	cubic metres
		Total	**118,893**	**cubic metres**
	Sawlog	Sawlog (Cat 2&8)	32,445	cubic metres
	Posts, poles and piles		7,799	units
	Export peeler log		91,439	tonnes
	Dometic peeler log		65,860	tonnes
	Pulpwood		731,994	tonnes
	Firewood		21,107	tonnes
	Other products (e.g. bark, sawdust)		3,362	tonnes
	Special species timber and craftwood		7,941	cubic metres
Hardwood Plantation	High quality sawlog		-	cubic metres
	Pulpwood		244,418	tonnes
	Export log		65,059	tonnes
Softwood Plantation[1]	Sawlogs		49,116	cubic metres
	Pulpwood		138,204	tonnes
Grand total [2]			**1,577,609**	**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 931 tonnes from the private sector for provision to Sustainable Timber Tasmania customers.*

TABLE 16:
Special Species Production

Species	Volume (cubic metres)
Blackwood	6,771
Celery top pine	426
Myrtle	45
Blackheart sassafras	159
Huon pine	28
Huon pine craft wood	124
Silver wattle	38
White sassafras	76
Other	274
Total	**7,941**

TABLE 17:
Regrowing Native Forest

Site preparation type	Area assessed (hectares)	Proportion meeting quality standard (%)
Clearfell	1,665	100
Partial harvest	3,969	100

Seed sown	
Area sown (hectares)[1]	1,948
Quantity sown (kilograms)	1,590
Proportion of seed collected from on site	34%
Proportion of seed collected from in-zone	66%
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.*

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]	-	-	484	304	-	788
Wet eucalypt [1]	-	-	50	1,826	859	2,735
High altitude *E. delegatensis* [1]	-	-	-	2,230	-	2,230
Total	**-**	**-**	**534**	**4,360**	**859**	**5,753**

Proportion of Area Stocked	99%

1. *Reported at age three years.*

TABLE 18:
Staff Numbers

Staff as at 30 June 2020	Number
Headcount	153
Full time equivalents	148

TABLE 19:
Safety Performance

Safety performance	2019/20
Number of workers compensation claims	4
Cost of workers compensation claims	$7,547
Cost of claims as a proportion of gross wages	0.04%
Lost Time Injury Frequency Rate (LTIFR)	3.57
Medical Treatment Injury Frequency Rate (MTIFR)	10.72
Harvesting contractor's Lost Time Injury Frequency Rate	20.63

TABLE 20:
Stakeholder Engagement Activity

Stakeholder Groups	Events in 2019/20	Number of Stakeholders
Community	133	798
Neighbours	122	589
Environmental	89	182
Recreational	43	244
State Government	31	272
Business	29	166
Commercial Users	23	174
Industry	21	128
Local Government	18	345
Scientific	17	275
Customers	14	205
Tourism	11	344
Educational	10	122
Contractors	8	133
Suppliers	6	14
Media	6	33
Aboriginal	4	76
Federal Government	4	1,002
Total	**589**	**5,102**

TABLE 21:
Education, Research and Community Funding

Contributions to forest education	value ($)
Forest Education Foundation	$317,000
Research funding	
University of Tasmania	$109,000
State Fire Commission (Contribution to Bushfire CRC Program)	$67,000
University of Sunshine Coast	$15,000
CSIRO	$10,000
Tree Breeding Australia	$9,000
Gottstein Trust	$2,000
Australasian Fire and Emergency Sercives Authority Council	$1,000
Technical Forest Services	$1,000
Community sponsorship	
Tasmanian Forests and Forest Products Network	$21,000
Tasmanian Axemens Association	$10,000
Tasmanian Symphony Orcheastra	$10,000
National Tree day (seedlings)	$2,900
Total	**$574,900**

Note: Figures are GST exclusive

TABLE 22:
Buy Local and Payment of Accounts

Buy local	
Proportion of total purchases from Tasmanian businesses	97%
Value of purchases from Tasmanian businesses ($ millions)	$127.1
Number of Tasmanian businesses paid	713

Payment of Accounts	
Creditor days	18
Number of accounts due for payment	7,789
Number of accounts paid on time	5,945
Amount due for payment ($ millions)	$132.74
Amount paid on time ($ millions)	$122.98
Number of payments of interest on overdue accounts	-
Interest paid on overdue accounts	-

TABLE 23:
Overseas Travel

Overseas travel	2019/20
Number of overseas trips by directors or staff	2
Total cost of overseas trips	$19,687

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 values at $50,000 or more during 2019/20			
Total			

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

Number	Total
13	$109,168

TABLE 26:
Information Disclosures

Right to Information Disclosures	Number
Applications for assessed disclosure received	5
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)	4
Applications reviewed internally and the outcomes of the reviews: upheld in full (1) upheld in part (0)	1

Public Interest Disclosures	Number
Public interest disclosures	-
Assessed disclosures	-
Active disclosures	-
Required disclosures	-
Routine disclosures	-
Public interest disclosures investigated by Sustainable Timber Tasmania	-
Disclosed matter referred to Sustainable Timber 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 Revenue for Services ($ millions)
Ensuring that Permanent Timber Production Zone land continues to be managed, accessible and available for multiple uses	10
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
Total	**14**

Snapshot

	2018/19	2019/20
Forest estate ('000 hectares)		
Permanent Timber Production Zone land	812	**812**
Land available for wood production	480	**475**
Other areas of native forest [1]	211	**210**
Managed for reservation [2]	121	**126**
Public land managed by Sustainable Timber Tasmania [3]	8	**8**
Private land managed by Sustainable Timber Tasmania [4]	1	**1**
Total Sustainable Timber Tasmania managed land	821	**821**
Forest types ('000 hectares)		
Native forest	711	**711**
Hardwood plantation [5]	53	**53**
Softwood plantation [5]	54	**54**
Area harvested in financial year		
Native forest - selective harvesting (hectares)	4,799	**4,228**
Native forest - clearfell harvesting (hectares)	1,185	**1,570**
Hardwood plantation (hectares)	1,374	**1,693**
Regrowing forest		
Native forest treated for regeneration (hectares)	4,763	**5,634**
Wood production		
Total production (cubic metres and tonnes)	1,471,355	**1,577,609**
High quality sawlog (cubic metres)	116,025	**118,893**
Native forest sawlog Cat. 2 & 8 (cubic metres)	38,464	**32,445**
Native forest posts, poles & piles (units)	3,328	**7,799**
Native forest high grade domestic peeler log (tonnes)	140,492	**65,860**
Native forest export peeler log (tonnes)	37,875	**91,439**
Native forest pulpwood (tonnes)	791,208	**731,994**
Firewood (cubic metres)	8,948	**21,107**
Other products (e.g. bark, sawdust) (tonnes)	1,931	**3,362**
Special species timber and craftwood (cubic metres)	9,747	**7,941**
Hardwood plantation (sawlog and pulpwood) (tonnes)	157,460	**309,477**
Softwood plantation (sawlog and pulpwood) (tonnes)	166,077	**187,320**
Fire management services		
Number of bushfires attended	57	**47**
PTPZ land burnt by bushfires (hectares)	36,890	**14,000**
Hours devoted to firefighting	66,348	**32,126**
Cost of suppresion (current values $'000)	8,320	**4,457**
Fuel reduction burns completed on PTPZ land (hectares)	1,336	**13**

	2018/19	2019/20
Access to the forest		
New roads constructed (kilometres)	33.5	**40.9**
Roads maintained (kilometres)	4,123	**3,076**
Finance – Comprehensive Income ($'000)		
Revenue		
Revenue from sale of forest products	150,344	**146,968**
Government revenue for services	21,897	**15,357**
Other income	5,166	**12,712**
Finance income	1,564	**901**
Forest valuation increase	43,371	**1,837**
Total revenue	222,342	**177,775**
Expenses		
Expenses from operations	(165,875)	**(170,069)**
Finance expense	(1,064)	**(1,872)**
Forest valuation decrease	-	**-**
Total expenses	(167,204)	**(172,003)**
Total comprehensive income (expense)	34,924	**1,986**
Finance – Financial Position ($'000)		
Borrowings (net of cash)	-	**-**
Net Assets	181,501	**181,486**
Finance – Cash Flow ($'000)		
Operating cash flows	14,888	**19,918**
Investing cash flows	(3,570)	**(11,717)**
Employment		
Number of staff (head count)	150	**153**
Number of staff (full time equivalents: FTE)	143	**148**
Lost Time Injury frequency rate	3.69	**3.57**
Tasmanian business		
Payments to Tasmanian businesses ($ million)	94	**111**
Number of Tasmanian businesses paid	660	**622**

1. *Areas not part of the wood resource due to such factors as non-commercial forest, excessive slope, streamside reserves, inaccessibility etc.*
2. *PTPZ land managed by Sustainable Timber Tasmania for conservation values as part of the Tasmanian CAR Reserve system.*
3. *Areas on Buckland Military Training Area managed by Sustainable Timber Tasmania.*
4. *Plantations on private land fully or jointly-owned by Sustainable Timber Tasmania.*
5. *Plantation figures include plantations over which Sustainable Timber Tasmania has no management control.*

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