



annual report 2014/15

PROUDLY GROWING TASMANIAN TIMBER



Forestry Tasmania

contents

Contents.....	2
Vision, mission, corporate objectives and values	4
Message from the Chairman and Chief Executive Officer.....	5
Report structure and scope	9
Year at a glance	10
Report card 2014/15.....	12
About Forestry Tasmania	16
Performance against corporate objectives.....	19

1 Provide the foundation for a strong and sustainable Tasmanian forestry industry	19
Wood production.....	19
Hardwood production	19
Wood product purchases	20
Meeting customer requirements	21
Special timbers.....	21
Planning and information systems.....	22
Sustainable yield	22
Tactical planning	24
Operational planning.....	25
Harvesting and regrowing	26
Native forests	26
Plantations	30

2 Maximise the commercial recovery, utilisation and value of harvested wood	35
Valuing our customers	35
Product volumes	35
Product segregation and recovery	37
Efficient and effective supply chain	37
North West: Burnie Chip Export Terminal	37
South: Southern residues	38
North East: Bell Bay export terminal	38
Business development.....	38
Hardlam	38

3 Sustainably manage the forests	41
Informed by science	41
Managing forest values	43
Certification	43
Forest activity assessments	44
Reserve system.....	45
Landscape context planning system.....	46
Biodiversity performance and initiatives.....	47
Chemical use.....	49
Cultural site management	50
Soils	51
Carbon storage in PTPZ forests.....	51
Forest protection	53
Planned burns	53
Air quality monitoring	54
Bushfire response	56
Forest health.....	56
Weeds, pests and diseases	57
Tourism.....	59

4 Actively engage with stakeholders ... 61

Stakeholder engagement strategy 61

Stakeholder engagement activity62

Ministerial support62

Right to information62

Leases and licences.....63

Sponsorship 63

Forest Education Foundation63

Design Centre, Tasmania.....63

Community Service Obligations64

5 Achieve positive financial outcomes . 67

Income statement highlights 67

Cash/borrowing highlights..... 68

Statement of financial position 69

Financial sustainability 69

Contribution to the economy..... 70

6 Provide a safe, healthy and productive workplace..... 73

Safety performance 73

Workplace Health and Safety Act 2012 compliance74

Workers compensation74

Enterprise Agreement 74

Staff numbers 75

Governance..... 77

Financial statements..... 80

Directors' report..... 82

Certification of financial statements 124

Independent audit report..... 125

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Front cover: Leonie McCrossen, Forestry Officer conducting a forest health assessment, looking for possible insect attack, nutrient deficiency and any general environmental site issues that may be affecting tree growth rates and vitality.

Annual Report 2015 produced internally by staff at Forestry Tasmania.

vision

Forestry Tasmania will be a trusted source of certified timber and other forest products for this and future generations

mission

Forestry Tasmania is professional, consultative and innovative in responsibly managing Tasmania's public production forests for the benefit of current and future generations, and in providing the foundation for a strong, competitive and sustainable Tasmanian forestry industry

corporate objectives

1. Provide the foundation for a strong and sustainable Tasmanian forestry industry
2. Maximise the commercial recovery, utilisation and value of harvested wood
3. Sustainably manage the forests
4. Actively engage with stakeholders
5. Achieve positive financial and economic outcomes
6. A safe, healthy and productive workplace

values

We **care** for people and their environment

We **get** things done

We **do** what we say we will do

We are **proud** of who we are and what we do

We **think** before we act

message from the chairman and chief executive officer

REVIEW OF FORESTRY TASMANIA

One of the major developments for Forestry Tasmania during 2014/15 was the completion of the initial phase of the Government's review of Forestry Tasmania. This review has set clear directions for the future, including the requirement that Forestry Tasmania's commercial operations become financially self-sustaining; that Forestry Tasmania's activities should be focused on growing trees, managing land and selling wood to domestic customers; and that responsibility for export sales and value added products should transition to the private sector.

The Board and management welcome the Government's decision to retain Forestry Tasmania as a Government Business Enterprise, and strongly support and share the Government's desire to move the Tasmanian forestry industry and Forestry Tasmania onto a long-term sustainable footing.

Following completion of the review, Forestry Tasmania has been working closely with the Government to undertake significant analysis to inform implementation of the agreed directions arising from the review, including the development of a new operating model for Forestry Tasmania.

The necessary process of transition presents both challenges and significant opportunities for Forestry Tasmania, our staff, customers and the wider industry. In Forestry Tasmania's case, we have already taken action to significantly reduce our expenditure, and this will remain an ongoing focus in addition to increasing our revenue where possible.

One of the unavoidable conclusions of the review and consideration of our commercial realities was that Forestry Tasmania had to become a leaner organisation that facilitates and manages others, rather than doing much of the work itself. A focused redundancy program was therefore undertaken following careful consideration of the skills and competencies that would be required by Forestry Tasmania to successfully operate in the future. This resulted in a total of 59 redundancies. On behalf of the Board and management, we take this opportunity to recognise and thank all employees for their professionalism and commitment through this difficult process and for the outstanding contribution they continue to make.

Other significant areas of activity related to the Review include:

- Preparing for the sale of some of our hardwood plantations and other assets, including considering the most appropriate sale process and parcels, and understanding the potential impacts on future sustainable sawlog yield;
- A review of commercial opportunities including asset sales and options for transition out of exports
- An ongoing focus on achieving internal operating efficiencies, and
- Considering options for a new operating model for Forestry Tasmania.

Finalising this work will be a significant focus for Forestry Tasmania during 2015/16. In addition, the Government is undertaking a process to identify potentially viable options to cost-effectively utilise the harvesting and sawmill residues produced in the south of the state. As a solution for these residues is essential for the sustainability of Forestry Tasmania and the wider industry, we look forward to the Government's decisions on this and other outcomes from the Review.

FINANCIAL RESULTS

We are pleased to report that Forestry Tasmania has improved its underlying financial performance during 2014/15. While we recognise that there is still further work to be done to achieve financial sustainability, the results for the year show that the business is moving in the right direction.

Significant improvements totalling \$20.3 million compared to last financial year include a \$7.3 million increase in domestic and export revenue, and \$13 million in cost reductions. These include reductions in: salary and wages (\$5.3 million); vehicle costs (\$0.8 million); other sales costs, including harvesting and transport costs (\$3.4 million); contractor expenses, including roading and plantation pruning (\$2 million); and office expenses and operating lease rentals (\$1.5 million). These improvements were partially offset in 2014/15 by one-off redundancy expenses (\$3.3 million) and an impairment expense (\$3.7 million).

As a result of these improvements, Forestry Tasmania ended the financial year with total end-of-year borrowings of \$33.2 million and cash of \$7.8 million. Forestry Tasmania used an equity transfer of \$30 million on 1 July 2015 to repay borrowings and has commenced the 2015/16 financial year with effectively nil debt, which is a very good position on which the business can build as it moves toward achieving financial sustainability.

Even with the changes that have already been implemented and the ongoing focus of the Board and management, we recognise there is significant further work required to achieve this goal. The Board therefore welcomes the Government's agreement that Forestry Tasmania can borrow to fund any operating deficit during this transition period, with the borrowings to be repaid from the proceeds of plantation sales.

We note that while the financial statements included in this report show that Forestry Tasmania's total comprehensive result in 2014/15 was \$31.7 million compared to a loss of -\$43.1 million in 2013/14, this accounting result was significantly affected by a number of non-cash items (including an improvement in our forest valuation). The total comprehensive result does however also reflect an \$11.8 million improvement in total revenue (even with a reduction of \$28.9 million in Government funding).

PRODUCTION

Forestry Tasmania supplied 58 customers with about 1.5 million tonnes of forest products during 2014/15, including about 121,000 m³ of high quality sawlogs, 147,000 tonnes of peeler logs, 11,000 m³ of specialty timbers, and over a million tonnes of native forest and plantation pulpwood. The majority of this timber was supplied from Permanent Timber Production Zone land, but also includes about 90,000 tonnes sourced from the private sector.

It is also very pleasing that our production was achieved with no significant breaches of the Forest Practices Code, and with excellent audit results from the Forest Practices Authority. In fact, since these audits were introduced in 2003, we have never been below the required benchmarks – a great result we aim to continue.

Customer demand for high quality sawlog was met for all but one customer, in the northwest of the state. This customer was provided with additional lower quality sawlogs, and further work is being undertaken to explore longer term supply issues and solutions in the northwest.

In addition to continuing residue exports through Smartfibre at Bell Bay, we recommenced residue exports from the Burnie Chip Export Terminal, and exported a total of over 410,000 green metric tonnes of native forest and hardwood plantation woodchips to international pulp and paper manufacturers. This is in addition to significant export volumes by our residue customers.

SAFETY

It is very disappointing that Forestry Tasmania only met three of our nine safety performance targets in 2014/15 and that our lost time injury frequency rate reached 19.61, the highest it has been since 1999/2000.

While it is fortunate that most of these lost time injuries were of a relatively minor nature, this result is clearly unacceptable. The Board and management have therefore developed and already commenced implementing a new safety strategy across the company and to all our contractors. This will remain a major focus for the Board and management as safety is and must remain our foremost priority.

CERTIFICATION

The Board and management of Forestry Tasmania remain strongly committed to the maintenance of Australian Forestry Standard (AFS) certification and achievement of Forest Stewardship Council® (FSC) certification. An important step in this process was taken in December 2014 when Forestry Tasmania underwent its first full independent audit against FSC's forest management standard. At the time of writing, the audit report was still being finalised and the final report has not been received from the auditor.

This audit report is part of the journey towards receiving FSC certification – it is not about giving a simple ‘yes/no’ answer, but rather is a progress report on where an organisation is already meeting the required standards and on areas where further work may be required.

Given the size and complexity of Forestry Tasmania’s operations, and the more than 200 separate indicators that are used, it would be very surprising and virtually unprecedented if this initial audit was to conclude that there was no need for any further work. In advance of receipt of the final report, and as part of our commitment to continuous improvement, Forestry Tasmania is continuing to work on improving how we identify high conservation values and manage threatened species.

While FSC certification is an important focus for Forestry Tasmania, it is also pleasing that we successfully maintained our Australian Forestry Standard certification following an audit in February 2015 along with re-certification of our Environmental Management and Occupational Health Safety Management Systems.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement also continues to be a strong focus for the organisation. We have been pleased with the reception for our Stakeholder Engagement Strategy, and for initiatives such as our interactive map viewer which seeks to make it easier for stakeholders to identify and engage with us on issues of potential concern.

We were also very pleased with the considerable input and feedback that we received from our stakeholders both as part of the development of our new Forest Management Plan, and as input to our FSC audit.

We encourage all our stakeholders to continue to engage with us as we seek to further improve our planning and decision making. This is an ongoing journey and we need you to be part of it.



Bob Annells PSM
Chairman



Steve Whiteley
Chief Executive Officer

report structure and scope

This Annual Report provides a summary of Forestry Tasmania's performance against our six Corporate Objectives in 2014/15. This is our first Annual Report to be structured around these Corporate Objectives, which embrace and replace our previous Sustainability Objectives.

The Annual Report also reports on our Forest Management Plan which was released in November 2014 following significant stakeholder consultation. The Annual Report contains almost identical information to our previous Stewardship Report although some of it appears under different headings. While we are no longer formally reporting against the Global Reporting Initiative criteria, its requirements have been taken into account in producing this report.

The Annual Report covers all processes and activities involved in the management of Permanent Timber Production Zone land during the reporting period. This includes forest land management, plantation and native forest establishment and maintenance, timber harvesting and sales, and our financial performance.

The Year at a Glance table (page 10) provides a quick reference to some of this year's statistics. The Report Card (page 12) provides a snapshot of our overall performance against our objectives, showing the areas where we have been successful in improving our performance and acknowledging those areas where more focus and improvement is required.

This year's Annual Report includes our Financial Statements and a number of the data tables that were previously included in Appendices to the Stewardship Report. Additional data tables are provided on Forestry Tasmania's website at: www.forestrytas.com.au

The majority of the data used in our Annual Report have been obtained through internal data sources such as our forest operations database (an in-house asset management system) and through the overlaying of spatial information using our geographical information systems. The remaining data have been obtained from external sources such as the Forest Practices Authority and the Department of Primary Industries, Parks, Water and Environment.

year at a glance

	2012/13 ²	2013/14 ²	2014/15 ¹
Forest estate ('000 hectares) at 30 June			
Permanent Timber Production Zone (PTPZ) land ¹	1,490	1,172	812
Land available for wood production	489	486	486
Unavailable for harvesting ³	203	205	205
Managed for reservation ^{2,4}	798	482	121
Public land managed by Forestry Tasmania ⁵	19	19	8.3
Private land managed by Forestry Tasmania ⁶	1	1	0.5
Total Forestry Tasmania managed land	1,511	1,193	820
Forest types ('000 hectares at 30 June)			
Native forest	1,402	1,080	711
Hardwood plantation ⁷	56	59	56
Softwood plantation ⁷	53	54	54
Area harvested in financial year ('000 hectares) ^{8,9}			
Native forest (clearfell, selective harvesting and thinning)	3.8	3.6	4.7
Plantation (clearfell and thinning)	1.4	2.5	3.0
Forest areas re-established in financial year ('000 hectares) ^{2,4}			
Native forest treated for regeneration	3.3	4.9	5.6
Plantation hardwood re-established ⁷	0.4	0.2	0.4
Plantation softwood re-established ⁷	0.9	0.4	1.6
Wood production			
Total production (m ³ and tonnes) ¹⁰	1,059,673	1,386,010	1,443,300
High quality sawlog (m ³)	120,932	128,259	119,855
Native forest Sawlog Cat. 2 & 8 (m ³)	37,531	39,936	28,411
Native forest Posts & poles (m ³)	2,302	4,584	4,061
Native forest high grade domestic peeler (m ³)	142,722	163,147	144,625
Native forest low grade export peeler (tonnes)	89,156	17,470	1,452
Native forest pulpwood (tonnes)	363,409	643,175	635,149
Hardwood plantation pulpwood (tonnes)	144,106	261,874	342,450
Softwoods (sawlog and pulpwood) (tonnes)	119,414	96,356	141,252
Special species and craftwood (m ³)	10,712	9,199	11,042
Fire management services			
Number of bushfires attended	55	34	35
Area of PTPZ land ¹ burnt in bushfires (hectares)	19,127	2,911	605
Cost of suppression (current values \$'000)	5,100	2,988	549
Fuel reduction burns completed on PTPZ land (hectares) ²	10,054	3,812	4,416
Roads			
New road construction (km)	65.1	92.9	51
Major road upgrades or realignments (km)	1.6	-	-
Road maintained/resheeted (km)	2,494	1,830	2,738

	2012/13	2013/14	2014/15
Finance (\$'000)			
Total revenue	168,836	157,173	169,002
Total expenses	(200,107)	(185,245)	(155,258)
Total comprehensive income (expense)	(14,190)	(43,118)	31,739
Employment			
Number of staff (head count)	351	295	241 ¹¹
Number of staff (full time equivalents: FTE)	326	267	221 ¹¹
Payments to Tasmanian businesses (\$ million)	129.5	110.38	102.26
Tasmanian businesses paid	1,216	1,062	987
Lost Time Injury frequency rate	4.46	5.1	19.61
Wood production per FTE (tonnes)	3,250	5,191	6,532
Profit (loss) per FTE (\$,000)	(44)	(161)	87
Total revenue per FTE (\$,000)	518	589	765

Notes:

1. The reduction in Permanent Timber Production Zone land is the result of former Future Reserve Land being reclassified as Future Potential Production Forest (FPPF) and transferring to Crown Land Services control.
2. 2012/13 included all State forest, Forest Reserves and Future Reserved land. 2013/14 included Future Reserve land (now Future Potential Production Forest (FPPF)).
3. Areas not part of the wood resource due to such factors as non-commercial forest, excessive slope, streamside reserves, inaccessibility etc.
4. PTPZ land managed by Forestry Tasmania for conservation values as part of the Tasmanian CAR reserve system.
5. Areas on Buckland Military Training Area managed by Forestry Tasmania.
6. Plantations on private land fully or jointly-owned by Forestry Tasmania.
7. Plantation figures may include plantations over which Forestry Tasmania has no management control. Excludes plantations harvested but not yet replanted.
8. Thinning includes both commercial and non-commercial thinning.
9. 2012/13 and 2013/14 previously published figures have been updated with final mapping of boundaries (from aerial photography and GPS data).
10. In addition, Forestry Tasmania sourced 89,644 tonnes of private timber in 2014/15.
11. FTE numbers as at 30 June each year. Includes Tahune Airwalk staff numbers (head count = 25, FTE = 11.5).

report card 2014/15

Provide the foundation for a sustainable Tasmanian forest industry

- We supplied 58 customers with over 1.4 million tonnes of forest products from PTPZ land which included about 120,000 m³ of high quality sawlogs, 146,000 tonnes of peeler logs and 11,000 m³ of specialty timbers - an additional 90,000 tonnes of forest products was supplied from private sources.
- Customer demand for high quality sawlog was met for all but one customer who received additional lower quality sawlogs.
- We conducted 141 planned regeneration burns over 5,566 hectares to assist regeneration after harvest.
- 100 per cent of seed sown on regenerated native forest was from on-site or in-zone sources.
- 100 per cent of artificially sown regenerated native forest was sown within 21 days of site preparation. This was above our five year average of 89 per cent.
- We pruned 2,154 ha of our plantation estate and thinned an additional 2,238 ha.
- We maintained roads to the value of \$1.23 million of Community Service Obligation funding from the State Government for public and fire fighting access across the state.

Maximise the commercial recovery, utilisation and value of harvested wood

- We recommenced residue exports from the Burnie Export Terminal. Three shipments totalling 163,000 green metric tonnes were exported.
- In total, we exported a total of over 410,000 green metric tonnes of native forest and hardwood plantation woodchips to international pulp and paper manufacturers - a significant volume of woodchips were also exported by our residue customers.
- All of the coupes surveyed after harvest for potential remaining timber products met our required standard of having less than 5 cubic metres per hectare of remaining merchantable timber.

Sustainably manage the forests

- In accordance with revised legislative requirements, we assisted in the transfer of management control for around 350,000 hectares of Permanent Timber Production Zone land that was designated Future Potential Production Forest to the Department of Primary Industries, Parks, Water and Environment.
- We developed a new Forest Management Plan taking into account significant stakeholder consultation and input. This Plan replaced our 2008 Sustainability Charter.
- We made significant progress in pursuit of FSC certification including producing a High Conservation Values Assessment and Management Plan and undergoing an audit in December 2014. The final report of this audit is expected in late 2015.
- We maintained our certification to the Australian Forestry Standard, and Environmental Management and Occupational Health Safety Management Systems.
- We contributed to the state-wide fuel reduction burn program, conducting 20 fuel reduction burns over 4,416 ha on PTPZ land and assisted other agencies with a further 11 burns.
- We contributed 5,870 working hours fighting 35 bushfires which burnt approximately 605 hectares of PTPZ land.
- We met our ecological targets for native forest retained in long term retention, and for dispersed harvesting as prescribed by our Landscape Context Planning system for all our operations.
- The Forest Practices Authority (FPA) audit examined 17 of our Forest Practices Plans for which we scored an average rating of 'sound' (the highest level obtainable under the FPA scoring system) on all 11 criteria examined.
- We issued one Section 41 notice to one of our harvesting contractors for a breach when they did not correctly implement wet weather limitations.
- Our chemical use decreased due to low leaf beetle populations and reduced replanting.
- We had no fuel or chemical spills in 2014/15.
- No chemicals were detected in the water samples taken at four sites associated with chemical spraying.
- Our research team authored 8 technical reports and 20 papers which were peer reviewed and published in scientific journals, delivered one presentation at a scientific conference and maintained the Warra Long Term Ecological Research site including leading a field day.
- The Environmental Protection Authority received 19 complaints about smoke, of which Forestry Tasmania-generated smoke potentially contributed to eight.

report card 2014/15

Actively engage with stakeholders

- We continued to work to improve Forestry Tasmania's engagement with stakeholders including releasing our new Stakeholder Engagement Strategy, Customer Service Charter, Complaints Policy and Aboriginal Cultural Heritage policy.
- We further refined our interactive map viewer to make it easier for stakeholders to access information of potential interest to them.
- We recorded 978 stakeholder interactions for the year involving 2,326 individuals.
- We undertook over \$7 million of Community Service activities including firefighting, road maintenance and maintaining some public recreation sites.
- At the end of June 2015, 542 external parties held current leases, licences and easement agreements relating to various uses of Permanent Timber Production Zone land.
- We had 74,000 visitors to Tahune Airwalk.

Achieve positive financial and economic outcomes

- Our business performance has improved by over \$20 million with increases in domestic and export revenue, and cost reductions in salaries, harvesting and transport, roading and pruning, office expenses and vehicle costs.
- These improvements were partially offset by one off redundancy expenses and an impairment expense.
- We improved our total revenue by \$11.8 million (which was achieved even with a reduction of \$28.9 million in Government funding).
- With end of year borrowings of \$33.2 million and \$7.8 million in cash, and a cash equity transfer occurring on 1 July 2015, Forestry Tasmania effectively had no debt for the start of the 2015/16 financial year.
- While we achieved an improved total comprehensive result of \$31.7 million in 2014/15 compared to a -\$43.1 million loss in 2013/14, this accounting result was significantly affected by non cash items including an improvement in our forest valuation.
- The change in our forest valuation was in part influenced by our underlying business performance improvement.
- We reduced our FTEs from 267 to 221 as part of our effort to reduce our operating costs.

A safe, healthy and productive workforce

- We negotiated a new Enterprise Agreement with staff.
- We met only 3 of our 9 performance measures for safety. Staff had ten lost time injuries translating to 19.61 lost time injuries per million hours worked. While most were of a relatively minor nature, a new safety strategy is already being implemented.
- Our harvest and haulage contractors recorded ten lost time injuries for the year, resulting in 11.84 lost time injuries per million hours worked, above our target which is less than 9.
- We were not issued with any *Work Health and Safety Act 2012* enforcement notices by WorkSafe Tasmania.

about forestry tasmania

BUSINESS OVERVIEW

Forestry Tasmania is a Tasmanian Government Business Enterprise responsible for sustainably managing approximately 800,000 hectares of Permanent Timber Production Zone land for the benefit of current and future generations; and for undertaking forest operations for the production and sale of forest products from these forests (including making available at least 137,000 cubic metres of high-quality sawlogs per annum).

Forestry Tasmania's key activities include:

- Native forest and plantation harvesting and re-establishment
- Sale of high-quality sawlogs, peeler billets, specialty timbers and log residues to domestic and/or international customers
- Land and native forest management (including research, forest inventory, resource mapping and modelling)
- Plantation management
- Firefighting and fuel reduction burning
- Road construction and maintenance
- Industry and market development
- Forest tourism.

Forestry Tasmania sustainably manages Tasmania's Permanent Timber Production Zone (PTPZ) while maximising the commercial recovery, utilisation and value of harvested wood. Forestry Tasmania manages the forests on PTPZ land to maintain or enhance significant natural, cultural and economic values, informed by science and in accordance with accredited third-party certification and relevant legislation. Forestry Tasmania aims to be a trusted source of certified timber and other forest products for this and future generations.

In accordance with its Ministerial Charter, Forestry Tasmania also performs a range of non-commercial and community service activities. These include contributing to statewide fuel reduction burning and fire management, maintaining agreed roads for public access and firefighting, forest education and research activities, agreed recreation and tourism activities, and non-commercial harvesting and management of special species timbers.

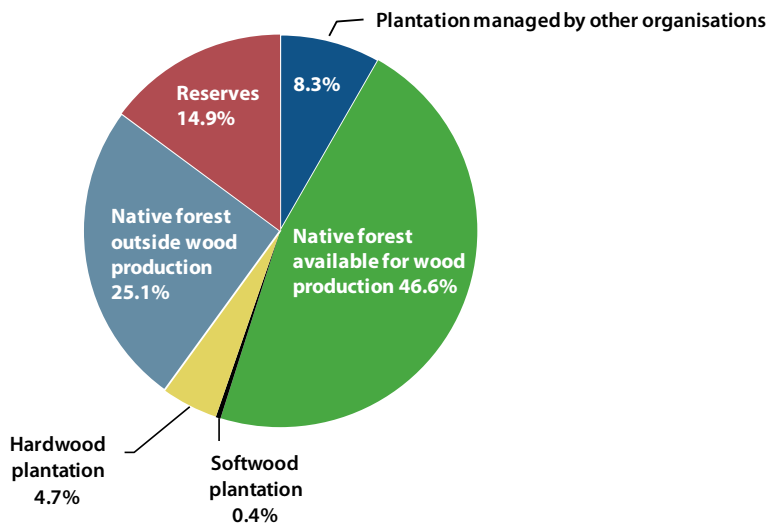
As at 30 June 2015, Forestry Tasmania managed approximately 800,000 hectares, of which about 60 per cent is available for actual wood production, with the remainder set aside in informal reserves or other non-production areas. Of the area available for wood production, approximately half is not yet of sufficient age for harvesting.

In 2014/15, over 1.4 million tonnes of wood product such as sawlog, peeler log and pulpwood were produced for processing into sawn timber, rotary peeled veneer, and pulp and paper products. In addition, about 90,000 tonnes of wood was sourced from the private sector.

Forestry Tasmania operates within parameters set by Government. These include the *Forest Management Act 2013*, the *Government Business Enterprise Act 1995*, *Forest Practices Act 1985* and *Forestry (Rebuilding the Forest Industry) Act 2014*. In accordance with the *Government Business Enterprise Act 1995* a Ministerial Charter has been prepared by the Minister for Resources and the Treasurer following consultation with Forestry Tasmania. The Charter sets out the Government’s broad policy expectations and requirements for Forestry Tasmania.

In recent years, there has been significant change to the legislation under which we perform our required duties. In 2013 the *Tasmanian Forests Agreement (TFA) Act 2013* replaced the former *Forestry Act 1920*. This *TFA Act* was repealed in 2014 and replaced by the *Forestry (Rebuilding the Forest Industry) Act 2014*. The main change for Forestry Tasmania arising from the *Forestry (Rebuilding the Forest Industry) Act 2014* was the conversion of Future Reserve Land to Future Potential Production Forest (FPPF) land and its transfer to Crown Land Services.

LAND USE ON PERMANENT TIMBER PRODUCTION ZONE LAND





performance against corporate objectives

1 Provide the foundation for a strong and sustainable Tasmanian forestry industry

WOOD PRODUCTION

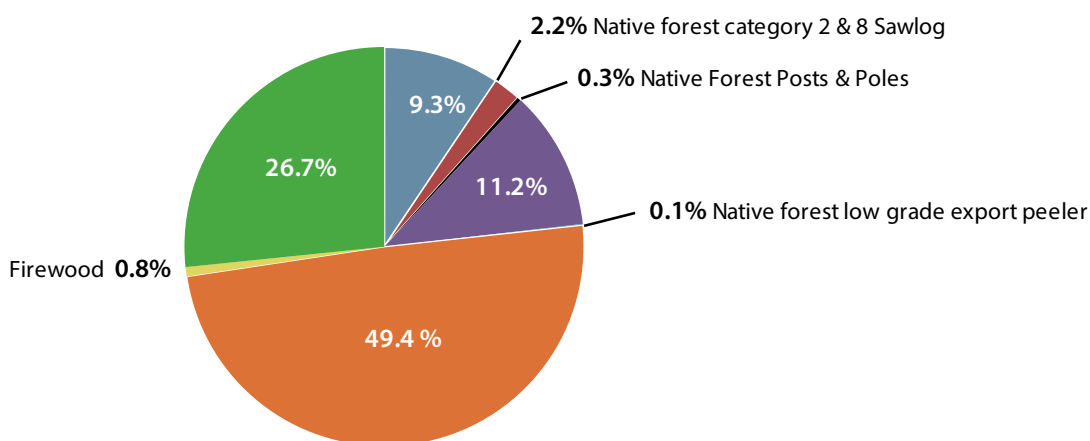
Hardwood production

In 2014/15, 1.4 million tonnes of wood products were produced from PTPZ land.

This total includes 120,000 m³ of high-quality eucalypt sawlog, which was sourced entirely from native forest.

The high-quality sawlog comprised 1,279 m³ of logs suitable for sliced veneer production, 107,319 m³ appearance- grade sawlogs and 11,261 m³ construction-grade logs. In addition, as noted on page 20, Forestry Tasmania also sourced 89,644 tonnes of timber from the private sector. This included 1,240 m³ of sawlog and 87,700 tonnes of residues and pulp log sales (both native and plantation).

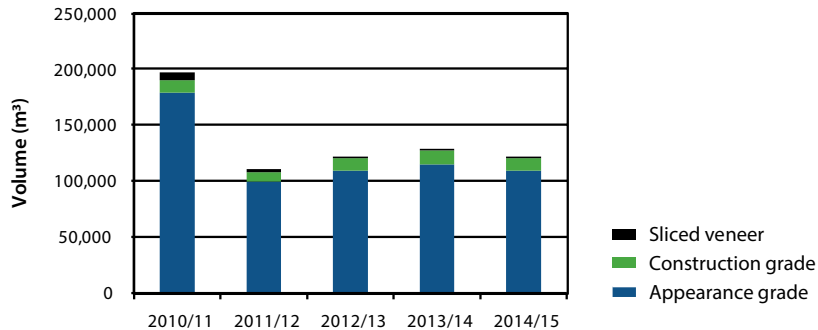
HARDWOOD PRODUCTION SUMMARY



Product (2014/15 production)

- High quality sawlog (presently 100% native forest) (119,859 m³)
- Native forest category 2 & 8 Sawlog (28,411 m³)
- Native forest posts & poles (4,061 m³)
- Native forest high grade domestic peeler (144,625 tonnes)
- Native forest low grade export peeler (1,452 tonnes)
- Native forest pulpwood (635,149 tonnes)
- Firewood (9,687 m³)
- Plantation pulpwood (342,759 tonnes)

HIGH QUALITY SAWLOG PRODUCTION



Native forest operations also produced the following products as arisings:

- 4,061 m³ of posts and poles, the majority of which were destined for use as electricity poles
- 28,411 m³ of lower-quality sawlog that was suitable for uses similar to those of high-quality sawlogs, but which were expected to have lower product recoveries and primarily produce structural timber
- 144,625 tonnes of higher-grade peeler logs, suitable for domestic rotary peeling into veneer
- 1,452 tonnes of lower-grade peeler logs that were suitable for exporting to international markets
- 635,149 tonnes of pulp logs that were suitable for local processing into export woodchips, a similar result to 2013/14 and
- 9,681 m³ of fuel/firewood.

In addition, Forestry Tasmania's hardwood plantations operation produced 342,759 tonnes of pulpwood. This represented an 30 per cent increase on 2013/14 production levels, and reflected both the improved woodchip market and the increased level of pruning and thinning activity associated with the management of mid-age stands.

Softwood operations produced approximately 11,032 m³ of sawlog and 130,220 tonnes of pulpwood. The majority of this production was associated with the activity of private plantation growers on Permanent Timber Production Zone land, where Forestry Tasmania receives stumpage royalties.

Wood product purchases

We purchase wood products from other organisations when supply from Forestry Tasmania-managed operations is insufficient to meet identified customer requirements. Purchased products include the standard suite of forest products from harvesting operations that occur on private land, as well as sawmill residues produced during the processing of sawlogs. Forestry Tasmania has diligence systems in place to ensure that any procured timber is sourced from legal sources and complies with certification requirements.

In 2014/15, Forestry Tasmania purchased and on-sold 89,644 tonnes of timber from the private sector. This volume consisted predominantly of sawmill residue and hardwood plantation pulpwood.

Meeting customer requirements

Our production and purchasing levels enabled us to meet most contracted customer commitments.

Customer demand for high quality sawlogs (HQSL) for all but one customer was met in 2014/15. This has been achieved in part because three major customers requested less than their contracted volume for HQSL. In the case of that one customer, they received below contracted volume for HQSL but were provided with above contracted volumes of lower quality sawlogs.

Special timbers

Special timbers are an integral part of the Tasmanian brand. They are used to produce high-value furniture and craftwood products, and include blackwood, blackheart sassafras, myrtle, silver wattle and celery top pine. With the exception of blackwood and silver wattle, special timbers are mostly derived from mature and old growth forest areas.

Our Special Timbers Strategy has provided for the ongoing long-term supply of these timbers to the Tasmanian craft and design industries. A review of the special timber resources on the Permanent Timber Production Zone land was required following the implementation of the *Tasmanian Forests Agreement Act 2013* and the *Forestry (Rebuilding the Forest Industry) Act 2014* to inform revision of our special species timber strategy.

During 2014/15, Forestry Tasmania produced a total of 11,042 cubic metres of special timbers from Permanent Timber Production Zone land. This comprised 5,051 cubic metres of millable logs, with the remainder being 'out of specification' sawlog and craftwood. Blackwood made up 87 per cent of the total volume produced, with the rest comprising species such as Huon pine, myrtle, sassafras and celery-top pine.

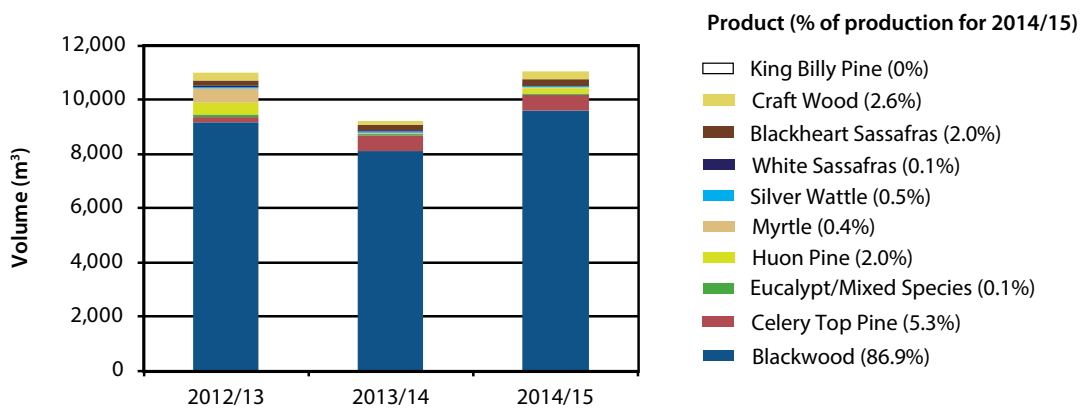
Blackwood from the north west forests constituted 93 per cent of the blackwood supply, and of this, 42 per cent came from swamp forests. The swamp-grown timber is sought after for its grain uniformity and depth of colour. These swamp forests are harvested during the drier period of the year. Of the swamp blackwood delivered to sawmills, 46 per cent was higher-grade sawlog destined for high-end furniture, veneer or cabinetry.

Forestry Tasmania is the only legal supplier of sawlogs of the famed Huon pine timber. The timber is mainly salvaged from the historically cut-over Teepookana Plateau, as well as from the river banks and beaches around Macquarie Harbour after floods. 216 cubic metres of Huon pine sawlogs and 128 cubic metres of Huon pine craftwood was recovered during the year.

The supply of celery-top pine in 2014/15 was 589 cubic metres which included all sawlog grades.

Forestry Tasmania continues to provide users of specialty timber products with access to the resource through the Island Specialty Timbers business. During 2014/15, Island Specialty Timbers sold 3,744 cubic metres of product from its three outlets based at Geeveston, Strahan and Smithton. This included selling 220 cubic metres of high-quality products through an online tendering process, to ensure that the best possible prices were obtained. The tendering program received strong interest, with the highlight for the year being a 0.57 cubic metre blackheart sassafras log that sold for \$3,815 per cubic metre.

SPECIAL SPECIES PRODUCTION



PLANNING AND INFORMATION SYSTEMS

Forestry Tasmania uses a planning and operational framework (see diagram on the following page) to supply forest products and to regrow and maintain PTPZ land. The framework involves strategic, tactical and operational planning; implementation of these plans in order to generate forest products; and subsequent regeneration and stand maintenance activities to maintain the forest's productive capacity. The framework provides for a structured and scale-appropriate approach to the consideration of environmental, economic and social values.

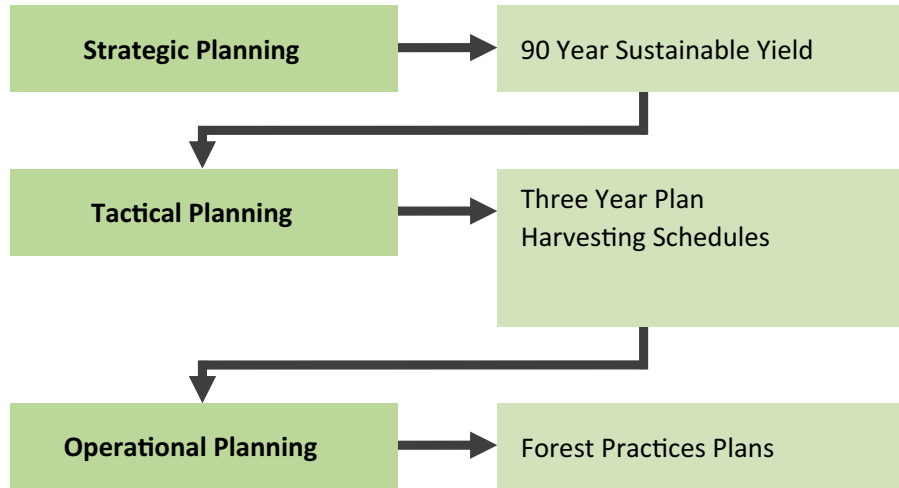
Sustainable yield

The sustainable yield of a forest is the level of commercial timber (or product mix) extraction that can be maintained under a given management regime, without reducing the long-term productive capacity of the forest. Sustainable yield is a vital prerequisite of sustainable forest management.

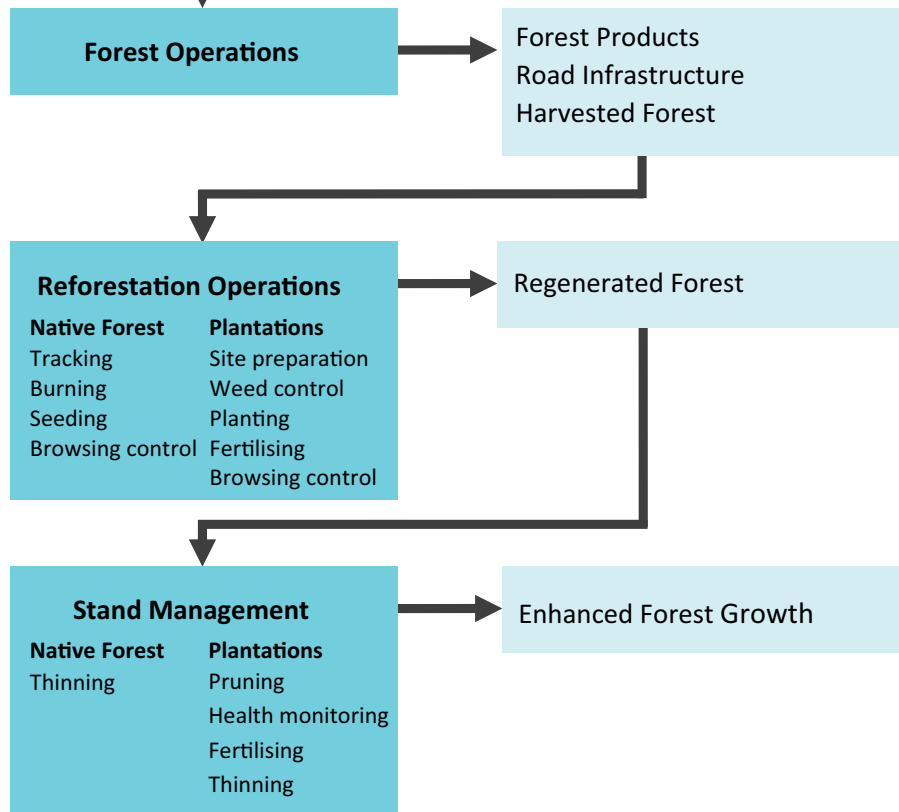
For Forestry Tasmania, sustainable yield is most relevant to high-quality eucalypt sawlog supply, which includes sliced veneer log supply. The legislation Forestry Tasmania operates under has always mandated that we make available a minimum amount of these products annually. We therefore model and monitor supply to ensure forest management is consistent with this requirement and the productive capacity of the forest.

Forestry Tasmania's wood production planning and operations framework

Planning



Operations

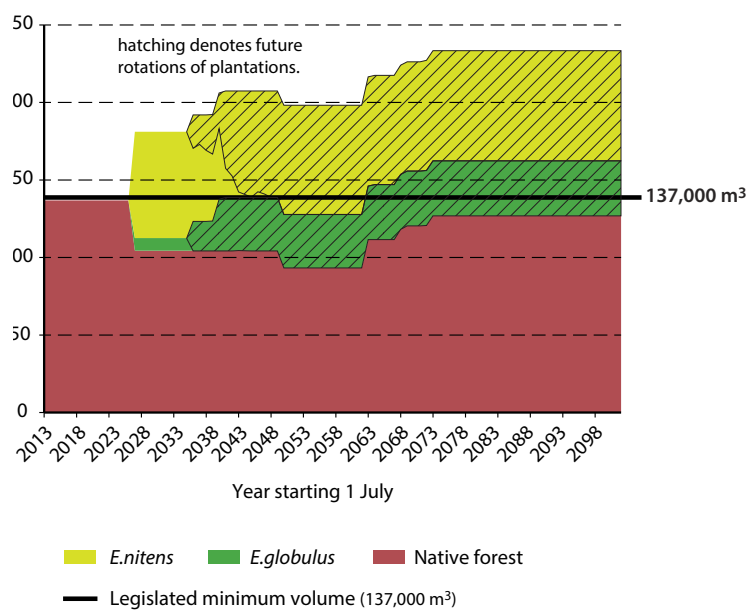


provide the foundation for a sustainable Tasmanian forest industry

To estimate supply from the forest we use inventory, future growth estimates and historical harvest records. Supply from both eucalypt native forest and eucalypt plantation is considered in this calculation.

Forestry Tasmania reviews its sustainable yield calculation for high-quality eucalypt sawlog supply every five years. The review is required by the Regional Forest Agreement and ensures the calculation accounts for changed conditions such as land management decisions, new technologies, forest growth and market priorities. The latest review, which was published in March 2014 confirmed Forestry Tasmania's ability to make available the volume legislated in the *Forest Management Act 2013* of at least 137,000 cubic metres per year of high quality eucalypt sawlogs from the Permanent Production Zone land for the next 90 years.

PREDICTED YIELD OF HIGH-QUALITY EUCALYPT SAWLOGS FROM PERMANENT TIMBER PRODUCTION ZONE LAND



Tactical planning

Forestry Tasmania undertakes tactical planning to identify areas that wood will be sourced from over a three-year timeframe so that:

- legislated supply levels of timber products and existing contracts can be met
- markets can be identified
- infrastructure to access areas can be planned and developed
- stakeholders are informed in advance of areas in which Forestry Tasmania is planning to operate.

Factors taken into account during these planning processes include:

- Products available from specific coupes
- Type and availability of silviculture and harvesting machinery required for each coupe
- Compliance with Forestry Tasmania's forest management procedures
- Compliance with principles set out in the Tasmanian *Forest Practices Code*
- Dispersal of harvesting across the landscape
- Seasonal restrictions for harvesting of particular coupes
- Consideration of identified stakeholder and community issues
- Strategic planning for sustainable yield.

The *Forest Practices Act 1985* (Tas) requires organisations that produce more than 100,000 cubic metres of wood annually to produce a three-year plan, and to consult with local government and the Forest Practices Authority. Forestry Tasmania produces a rolling Three Year Wood Production Plan, which is published annually in July.

The Three Year Plan outlines the location, product volumes and harvest methods of coupes that may be harvested in the ensuing three-year period.

The Three Year Plan forms the basis of the next level of tactical planning: harvest scheduling, during which the Three Year Plan coupes are allocated to harvesting contractors. The process also allows for the coordination of an even flow of wood products to various customers, and informs operational planning including the development of Forest Practices Plans.

Operational planning**Operational planning is undertaken for individual harvesting coupes and involves:**

- determining how site-specific natural and cultural values will be managed
- engaging with identified stakeholders and neighbours who may be affected by forest operations, to take their concerns and input into account during planning
- determining the locations of roads, extraction tracks and landing sites
- forecasting the products that will be sourced from the site
- identifying the markets for the products sourced from the site
- identifying any site-specific hazards and
- determining operational boundaries.

After considering these factors, the most appropriate harvesting prescriptions and treatments required for successful forest regeneration are determined. Importantly, if it is determined that reforestation cannot be achieved successfully, harvesting will not occur.

The *Forest Practices Act 1985* requires that a Forest Practices Plan be developed before any harvesting may occur. Forest Practices Plans must comply with the provisions of the *Forest Practices Code*, which specifies the prescriptions for management of values including biodiversity, soil, water, cultural heritage, and visual amenity throughout the road building, harvesting and reforestation operations.

In 2014/15, Forest Practices Officers employed by Forestry Tasmania certified 200 Forest Practices Plans.

All certified Forest Practices Plans are available free of charge to the public on Forestry Tasmania's website.

Roading

Forestry Tasmania primarily builds and/or maintains roads needed to conduct harvest operations. In addition, Forestry Tasmania maintains a selection of roads agreed by the Government as Community Service Obligations, such as some tourist routes through PTPZ land.

Prior to publishing the Three Year Plan each July, we engage with local councils to discuss road plans for the coming years' operations to inform councils of the anticipated wood volumes travelling on public roads and which forestry roads are being maintained.

In 2014/15 we constructed 51 km of new road and maintained a further 2,738 km.

HARVESTING AND REGROWING

Harvesting operations are conducted by contracting organisations, which have the specialist skills, equipment and safety systems required to successfully implement the Forest Practices Plans.

Prior to any work commencing on site, contractors are given a briefing by a Forestry Tasmania supervisor so that they are aware of the operational objectives, the coupe specific prescriptions detailed in the Forest Practices Plan and known safety hazards. In accordance with the Forest Safety Code, contractors are required to develop a Forest Operation Plan that describes how safety will be managed on the site.

Once an operation is completed, the area is rehabilitated and Forestry Tasmania conducts a thorough inspection of every coupe to confirm that rehabilitation works have been carried out to the required standard. Once Forestry Tasmania is satisfied that rehabilitation works have been completed satisfactorily, reforestation works can begin.

Native forests

The majority of the area available for wood production on Permanent Timber Production Zone land is native forest. Each year, Forestry Tasmania harvests a proportion of PTPZ land native forest estate to meet its wood supply obligations. Once harvested, the coupes are regenerated so that they will continue to provide wood and other ecosystem services into the future.

Native forest harvested

Forestry Tasmania's estate features a diversity of native forest types. The forest types are harvested and regenerated using specific silvicultural systems that aim to reflect the natural disturbance regimes of the respective forest type. The silvicultural techniques have been developed over time to enable safe harvesting conditions for forest contractors and to provide for effective regeneration. As a rule, wetter forests are harvested using clearfell or variable retention silviculture while drier forests are harvested using partial harvest systems that generally retain trees across the whole coupe.

The silviculture employed on each harvested area is determined during operational planning, and is monitored during harvest to ensure that specified prescriptions are met.

In 2014/15, Forestry Tasmania harvested 4,670 ha of native forest. This included harvesting 1,890 ha using clearfell and 2,780 ha using partial harvest systems.

Native forest re-established

Forestry Tasmania aims to ensure that productivity in Permanent Timber Production Zone land forests is maintained. In order to achieve this, forest regeneration practices are constantly monitored and reviewed.

Successful eucalypt regeneration generally requires:

- effective site preparation by fire or by mechanical disturbance to create receptive seedbeds
- an adequate supply of high-quality seed and
- freedom from heavy frosts, drought and excessive damage by insects and browsing animals.

Forestry Tasmania maintains a native forest quality standards process which enables the timely, effective and accurate monitoring and reporting of silvicultural operations in native forests. The process uses goals, targets, standards and performance indicators to determine the success of regeneration operations. An annual quality standards review is held to discuss issues of concern relating to silvicultural operations, to ensure a constructive approach to improving practices, and to provide a forum for exchange of information and ideas. The following is a summary of the results collated from this process.

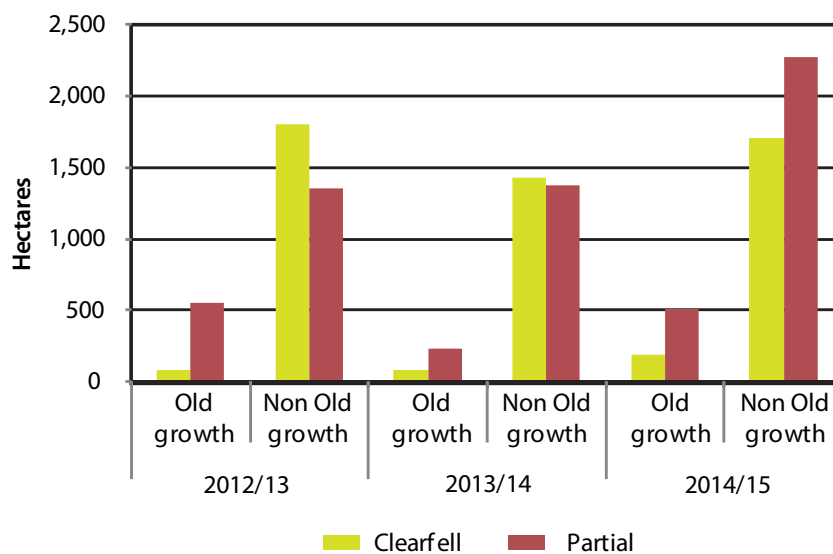
Site preparation

Site preparation has a significant effect on the success of regeneration. Site preparation techniques include high- or low-intensity burning, mechanical loosening of the soil, or excavator heaping and subsequent burning of logging slash. In some cases, the disturbance caused by harvesting produces sufficient seedbed for adequate regeneration and no further treatment is required.

The quality standard for clearfelled areas is that receptive seedbed is created over at least two-thirds of the area to be regenerated. In partially-harvested areas, the quality standard is that receptive seedbed is created over at least one-third of the area to be regenerated, and the achievement of an acceptable level of fuel reduction, while minimising damage to retained trees.

In 2014/15, Forestry Tasmania assessed 4,615 hectares of native forest (2,060 hectares of clearfelled area and 2,540 hectares of partially-harvested area) against these standards.

NATIVE FOREST TYPE HARVESTED BY HARVEST METHOD



90 per cent of clearfelled areas and 97 per cent of partially harvested areas respectively achieved the site preparation quality standard. This compares with the five-year average of 87 per cent and 88 per cent for clearfell and partial harvest respectively.

Eight clearfelled areas did not meet the site preparation standard as a result of poor burns.

Two partially harvested coupes did not meet the standard because insufficient seedbed was created or an acceptable level of fuel management was not reached.

Seed and sowing

Forestry Tasmania classifies the source of seed sown onto harvested native areas into three categories:

- On-site seed is collected from the harvested area or from a similar area within one kilometre.
- In-zone seed is from the same seed zone as the nominated harvesting area. The seed zones are detailed in Native Forest Silviculture Technical Bulletin No. 1 Eucalypt seed and sowing. For the purposes of quality standards, in-zone seed does not include the on-site seed component.

- Out-of-zone seed is collected from outside the seed zone of the nominated harvesting area. This is the least preferred seed source.

The seed provenance quality standard is that each harvested area should be regenerated with at least 10 per cent on-site seed, with the remainder being in-zone seed matched to forest type.

In 2014/15, Forestry Tasmania sowed 2,236 hectares with 2,225 kilograms of eucalypt seed, of which 41 per cent was on-site seed, and the remainder was in-zone seed. We did not use any out-of-zone seed.

The quality standard for sowing operations requires that the delay between site preparation completion and sowing be less than 21 days. This ensures the best chance of successful regeneration. In 2014/15, we achieved this standard in 100 per cent of the sown area. This is above our five-year average of 89 per cent.

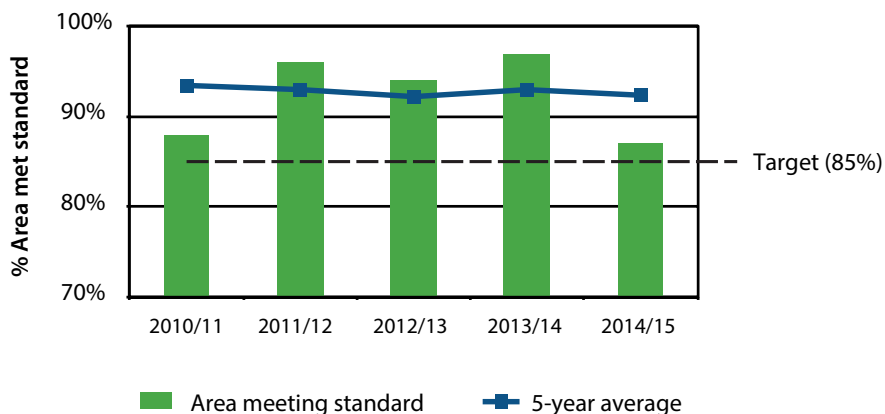
Regeneration success

How forests are harvested and subsequently regenerated is largely determined by the forest types: different forests respond to different regeneration techniques. For example, clearfell, burn and sow has been scientifically shown to be an excellent option for regenerating tall wet eucalypt forests.

Regeneration success of eucalypt areas is reported when they are three years old. Swamp blackwood, rainforest and other special timbers coupes are reported when they are five years old. Regeneration success is determined by undertaking surveys to assess if the areas have reached the set minimum stocking standard for that type of forest. This approach complies with the recommended national methodology for regeneration success monitoring.

In 2014/15, 4,580 hectares of native forest regeneration reached the relevant reporting age for regeneration success, and achieved the required stocking standard in 87 per cent of this area. This is below the five-year average of 93 per cent, although it does exceed our target of 85 per cent of the harvested area being regenerated to standard.

NATIVE FOREST REGENERATION SUCCESS SUMMARY



The stocking standard was not met in 26 coupes, totalling 601 hectares. There were numerous reasons for understocking including poor site preparation, insufficient natural seedfall, adverse soil disturbance and browsing by native mammals. However, all these areas contained sufficient regeneration or retained trees to be considered as ecologically stocked and will be useful for wood production albeit at a reduced production rate.

Plantations

The majority of the plantation estate managed by Forestry Tasmania on Permanent Timber Production Zone land is hardwood that has been planted over the last two decades. As this 56,000 hectares of hardwood plantation matures it will play an increasingly important role in the future production of wood products in Tasmania.

The management objective for the hardwood plantation estate is the sustainable supply of high-value, large-diameter, pruned logs for the production of solid timber and sliced veneer products, primarily for local industry, but also for interstate and overseas markets. Secondary products include unpruned logs for sawing and peeling, pulpwood for paper, and posts and poles. There could also be opportunities to develop engineered wood products from hardwood plantation logs.

The two main plantation eucalyptus species are *Eucalyptus globulus* (Tasmanian blue gum) and *Eucalyptus nitens* (shining gum). Both species are fast growing and are suited to Tasmanian conditions. *E. nitens* is favoured on colder, higher elevation sites due to its frost tolerance and *E. globulus* is preferred on frost-free sites. The wood properties of *E. globulus* are superior to *E. nitens* in terms of pulp yield, density and strength; however, both species can suffer from internal defects (tension wood in *E. globulus* and checking in *E. nitens*), which are managed through appropriate silviculture, processing and utilisation practices. Tree breeding has already and will continue to play a long-term role in improving the quality of the wood.

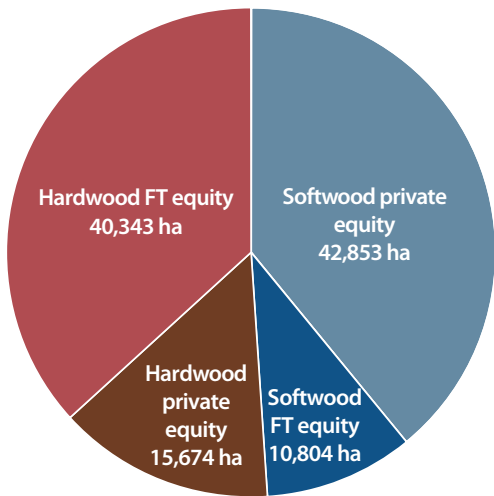
Currently, approximately 75 per cent of the hardwood plantation estate is *E. nitens*, 15 per cent is *E. globulus* and around 10 per cent other hardwood species.

The age class distribution of the hardwood resource reflects the establishment history of our plantations. Of a total of 41,000 hectares, around 14,300 hectares (35 per cent) is less than 10 years old, while only 7,000 hectares (18 per cent) is older than 20 years. Currently, the total standing volume of the hardwood plantations under full or partial Forestry Tasmania management is approximately six million cubic metres, or about 149 cubic metres per hectare. This reflects the relatively young age of the estate with an area weighted average age of 13 years.

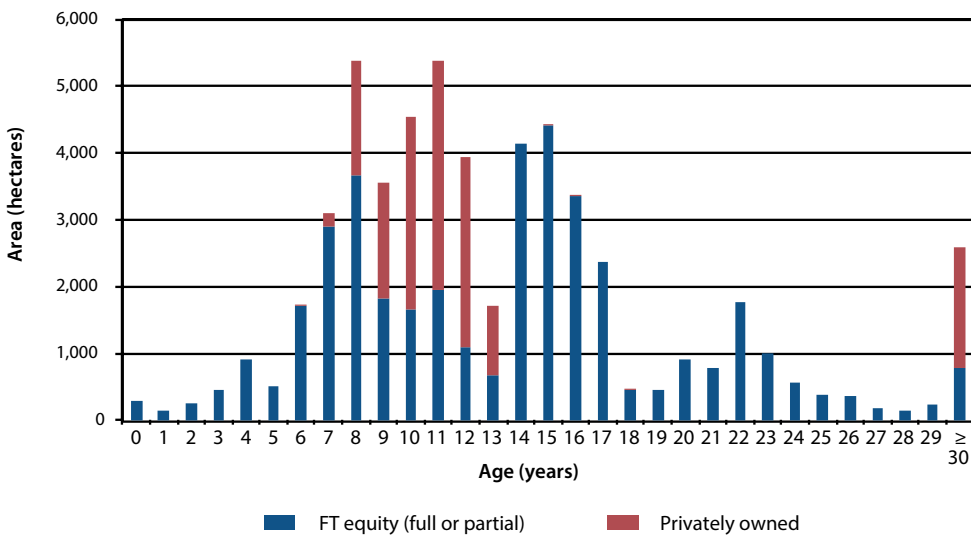
A large program of production thinning is now underway and expected to continue for three years in stands older than 10 years to optimise the subsequent production of pruned logs.

Forestry Tasmania also has a long history in softwood (*Pinus radiata*) plantation management, and around 54,000 hectares have been established on Permanent Timber Production Zone land. Equity in this resource has now been largely divested and the estate is owned and managed by external parties. However, approximately 3,000 hectares is still managed by Forestry Tasmania.

PLANTATION TYPE AND OWNERSHIP



AGE CLASS DISTRIBUTION OF HARDWOOD PLANTATIONS



Pruning program

The production of high-value, large-diameter, pruned logs is achieved through intensive silviculture, particularly pruning and thinning, with planned rotation lengths of approximately 25 years. Pruning promotes the development of clear, defect-free wood (clearwood) on the pruned section of the trees and is usually undertaken in three pruning lifts, from age three years, to a height of 6.4 metres.

A major milestone was met this year with the completion of our hardwood plantation estate pruning program. In the course of the year, we pruned 2,153 ha compared to 3,796 in the previous year.

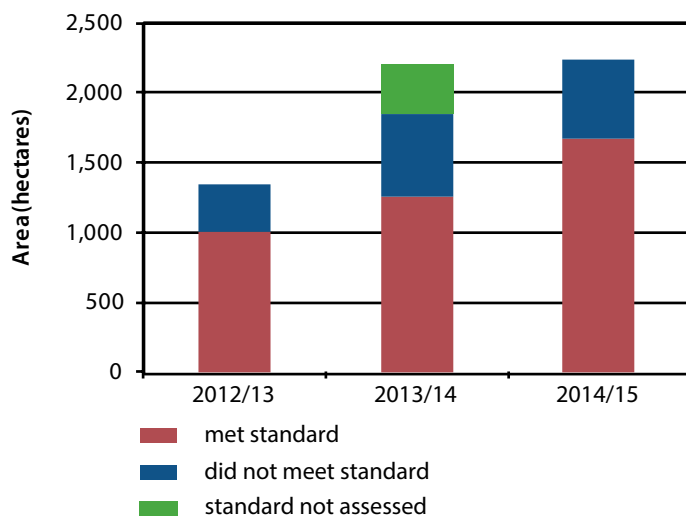
Thinning program

Thinning occurs after pruning is completed, and harvests lower-value trees from the stand in order to reduce competition and promote growth on the retained, pruned crop trees. This increases the production and quality of the pruned logs for harvest at the end of the rotation, and also provides a mid-rotation financial return from the thinned logs. In 2014/15, we thinned 2,238 ha.

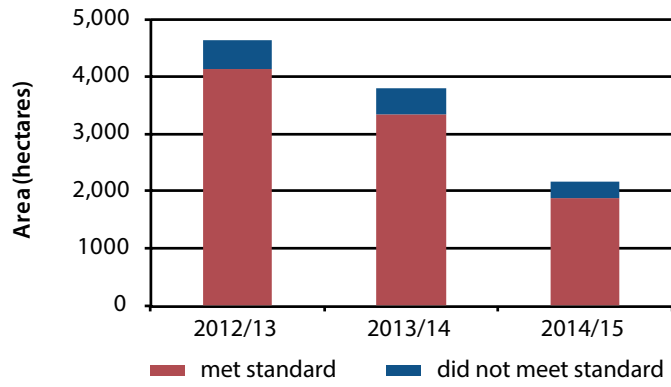
Plantation area established

The annual planting program has declined over the past eight years, and in 2014/15 Forestry Tasmania replanted 520 hectares on second rotation hardwood plantation sites and undertook 244 hectares of infill planting.

THE AREA OF HARDWOOD PLANTATIONS COMMERCIALY THINNED AND THE AREA THAT MET QUALITY STANDARD



THE AREA OF HARDWOOD PLANTATIONS 1ST, 2ND AND 3RD LIFT PRUNED AND AREA THAT MET QUALITY STANDARD



provide the foundation for a sustainable Tasmanian forest industry



performance against corporate objectives

2 Maximise the commercial recovery, utilisation and value of harvested wood

VALUING OUR CUSTOMERS

Over the past year, Forestry Tasmania has worked hard to meet customer expectations. There are many examples of how we have worked with our customers to improve supply, quality and customer service in general.

To improve service to our customers we have maximised the use of log yards and inventory to provide a consistent supply and we have improved the quality of some product being supplied to better meet contract specifications. We have also been flexible and supported customers when they have needed to shut down so that the impact on the industry was minimised, and have also worked to provide timely delivery when customers have expanded so that their increased needs were met.

Our new Stakeholder Engagement Strategy, launched in October 2014, included a Customer Service Charter and other support documents. The Customer Service Charter states our commitment to service and lists what customers can expect from us. Supporting documents include a complaints policy and dispute resolution procedure, all of which have been well received by our customers.

Within Tasmania in our domestic market, in addition to meeting most customer demand for high quality sawlog, there was an increase in customer interaction through our customer account management with existing customers. There was also an increase in the overall number of customers with current sales contracts increasing from 42 last year to 58 this year.

Forestry Tasmania's international market sales increased in 2014/15 with exports through three export facilities all in the north of the State. During 2014/15, shipments totalling 414,228 green metric tonnes of native forest and hardwood plantation woodchips were sold by Forestry Tasmania into international markets. A significant volume of woodchips were also exported by our residue customers.

PRODUCT VOLUMES

Forestry Tasmania's business strategy is focused on maximising overall recovery from harvesting operations. We sell many types of forest product but focus on producing high quality saw logs of which we produced just under 120,000 m³ in 2014/15. In the process of producing these sawlogs we also produced lower-grade products.

We aim to maximise the economic value from all forest products including the residue from harvesting. It is important for the economic viability of the whole industry that we are able to get a reasonable return for all our products and maximise this value.

TABLE: WOOD VOLUME SUMMARY

Source	Product	2010/11	2011/12	2012/13	2013/14	2014/15
High quality sawlog (from native forest)	Appearance Grade Sawlog Cat 1 & 3 (m ³)	179,399	99,789	109,198	114,054	107,319
	Construction Grade Sawlog Cat 1 & 3 (m ³)	10,333	7,817	10,987	13,123	11,257
	Sliced Veneer Grade (m ³)	6,787	2,340	747	1,082	1,279
	Total	196,519	109,946	120,932	128,259	119,855
Native forest products	Native forest Sawlog Cat. 2 & 8 (m ³)	48,532	42,011	37,531	39,936	28,411
	Native forest Posts & poles (units)	6,090	4,339	2,302	4,584	4,061
	Native forest high grade domestic peeler (tonnes)	318,597	372,466	142,722	163,147	144,625
	Native forest low grade export peeler (tonnes)	112,795	157,321	89,156	17,470	1,452
	Native forest pulpwood (tonnes)	1,376,553	315,037	363,409	643,175	635,149
	Firewood (m ³)	20,117	10,935	10,173	9,686	9,681
	Total	1,882,684	902,109	645,293	877,997	823,379
Hardwood plantation	Plantation Eucalypt Sawlog (tonnes)	138	0	0	0	0
	Plantation pulpwood (tonnes)	171,205	61,303	144,106	261,874	342,450
	Total	171,343	61,303	144,106	261,874	342,450
Softwood plantation	Softwood sawlogs	100,724	36,196	19,831	26,761	11,032
	Softwood pulpwood	244,380	255,895	99,583	69,595	130,220
	Total	345,104	292,091	119,414	96,356	141,252
Special timbers	Special timbers	15,142	12,953	10,712	9,199	11,042
Other products	(e.g. bark, sawdust)	3,086	5,372	19,216	12,324	5,322
Grand Total (tonnes)		2,613,878	1,383,775	1,059,673	1,386,010	1,443,300

Note:

- The softwood volumes reported no longer include those generated from the former Taswood growing venture as Forestry Tasmania divested its 50% stake in these plantations in December 2011.
- Softwood volumes include volumes produced by private growers on Permanent Timber Production Zone land where Forestry Tasmania receives stumpage royalties.
- Production figures exclude 89,644 tonnes of products purchased by Forestry Tasmania from private growers for provision to Forestry Tasmania customers.

PRODUCT SEGREGATION AND RECOVERY

We maximise the use of felled trees from harvested areas through the selection of craftwood, special timbers, high quality sawlogs and sliced veneer logs, with the remainder being available as peeler logs, pulpwood and fuelwood. Harvesting contractors are trained and accredited as log classification officers, and are responsible for the appropriate segregation of products. Segregation management is a key element to maximising value, and has been a continued area of focus in 2014/15. This will continue to be a focus for Forestry Tasmania as we aim to maximise commercial recovery in the coming year.

The processes in place to maximise the recovery of wood volume and value and include:

- Segregation inspections carried out by staff to determine the presence of any logs that may have been misclassified as a lower-grade product. These inspections routinely take place on coupe landings during harvest monitoring. Forestry Tasmania also has a program for conducting segregation audits at mills and on log trucks. During 2014/15, approximately 371 non-landing inspections were conducted.
- Post-logging residue assessments, to monitor the efficient removal of forest products and to quantify merchantable wood being left on the forest floor after harvesting operations. In 2014/15, logging residue assessments were conducted on 15 harvested areas and in all cases the remaining merchantable timber was less than 5 cubic metres per hectare (which is our required standard).

EFFICIENT AND EFFECTIVE SUPPLY CHAIN

North West: Burnie Chip Export Terminal

The Burnie Chip Export Terminal re-opened for native forest wood chip sales in March 2014 with the first shipment leaving in December 2014. Having an alternative export facility has improved the viability for the entire North-west forest industry by providing an export option for native forest woodchips.

Since the Burnie Chip Export Terminal reopened for native forest woodchip sales, three shipments totalling 163,000 green metric tonnes have sailed to international markets, making a significant contribution to Forestry Tasmania's financial performance. This export terminal has also provided an additional source of revenue for local sawmillers, as residues from local sawmills are sold through the export terminal.

Forestry Tasmania has budgeted for four shipments to sail from the Burnie facility for the 2015/16 financial year: a minimum of 180,000 green metric tonnes of woodchips.

Forestry Tasmania is also currently exploring options to increase woodchipping capacity to produce 200,000 tonnes of wood chips annually.

Overall, the effectiveness and efficiency of the total forest product sales has increased significantly in the North West due to this development in 2014/15.

South: Southern residues

During 2014/15, Forestry Tasmania contributed to the Department of State Growth's Residues Solutions Study to investigate longer-term options for the commercial utilisation of residues. This project has now been superseded by an Expression of Interest that was run by the Department of Treasury and Finance to seek interest from the private sector in providing a solution for residues, particularly in the south of the State.

North East: Bell Bay export terminal

Bell Bay continues to provide the gateway for plantation and native forest wood chip exports for both the North East region and the south.

Improved efficiencies on both road and rail have allowed for increased throughput in 2014/15 to 533,989 tonnes. It has been particularly pleasing to work with Tas Rail to develop more efficient and flexible new rail cars that can be quickly transformed from a log carrier to a container carrier.

BUSINESS DEVELOPMENT

Hardlam

Forestry Tasmania continued to work with industry partners to progress the concept of Hardlam, an engineered wood product.

Assistance we provided to these partners over the past year has included business development, product development, project development and planning.

Hardlam is an initiative that has now met most of the necessary feasibility assessments and is awaiting commercial investment interest to proceed.



performance against corporate objectives

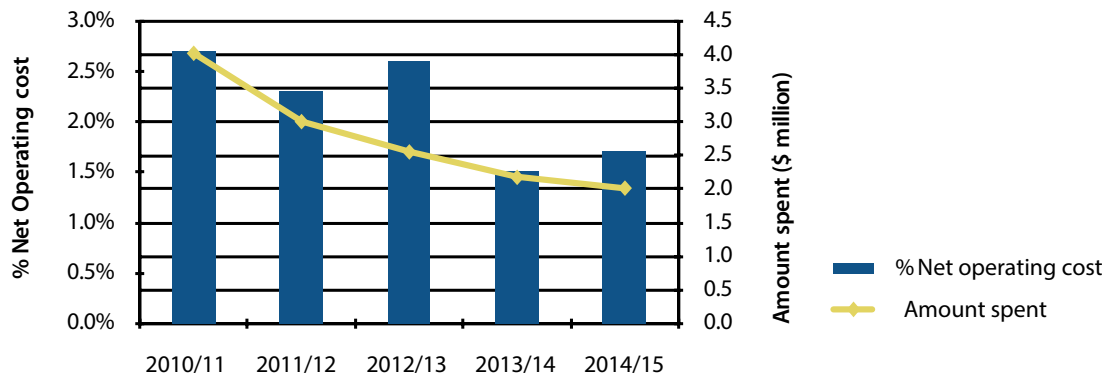
3 Sustainably manage the forests

INFORMED BY SCIENCE

Forestry Tasmania’s planning and operations are informed by science. This guides how our forests are harvested and regenerated, including the seed stock selected.

Consistent with approaches in the broader forest industry Forestry Tasmania has reduced its in-house research and development capacity in favour of collaborative approaches and works with external scientific, environmental and other forestry organisations. This partnering approach has enabled the research budget to be leveraged: contributing to larger projects to the benefit of both Forestry Tasmania and the partner organisations for lower costs and better overall outcomes than if they were conducted separately. Through this approach, we have achieved above a 9:1 ratio return on our investment into scientific research undertaken in the past year.

AMOUNT SPENT ANNUALLY ON RESEARCH AS A PERCENTAGE OF FORESTRY TASMANIA’S OPERATING COST



Forestry Tasmania uses research collaborations to leverage its resources and strengths in projects of greater scale and scope than could be achieved in-house. This is evident where we are a major participant in the National Centre for Future Forest Industries (NCFI). Some of the Centre’s key projects used logs from our plantations to evaluate their potential for use in high value sawn and engineered wood products. For example, veneers produced from our thinned and pruned Eucalyptus nitens plantations were shown to be suitable for the production of decorative ply sheets (as used in cabinetry) and curved ply (as used in furniture). These outcomes, along with those from other collaborative projects, will help build confidence that the plantation resource can supply products with a wide diversity of valuable applications.

Our major research projects in the past year have included:

- New approaches to sustainable forest management - a collaboration with UTas, University of Melbourne and VicForests with funding from the Australian Research Council through their linkage grants scheme. The research from this project will help us manage for the twin objectives of wood production and biodiversity. Advanced methods in decision-analysis and next-generation technologies for monitoring biodiversity will be brought together for the first time to clarify the rationale of management and measure how well that management is meeting these twin objectives.
- Silvicultural Systems Trial – a 10-year post-harvest response of birds, plant and beetles to harvesting methods alternative to the clearfell burn and sow harvest/regeneration method used in wet eucalypt forests.
- Warra Flux Tower and Supersite – Warra is the southern-most point of the Australia-wide Terrestrial Ecosystem Research Network (TERN) and conducts ongoing measurements of carbon, water and energy fluxes between the forest and atmosphere to help understand the carbon and water dynamics of a tall, wet *E. obliqua* forest and how those dynamics vary with weather, in particular, extreme weather events.
- Warra Hydrology Study - a planned harvest operation in Warra 004A is being used to verify the effectiveness of the Forest Practices Code prescriptions for protecting soil, water and biological values of Class 4 streams.
- Costs and benefits of forest biosecurity - a collaboration with University of Sunshine Coast and NSW Department of Primary Industry with co-funding by Forest and Wood Products Australia. The project will provide a number of case studies that comprehensively evaluate the costs of biosecurity measures and of managing established pests relative to benefits in greater wood value. Expertise in forest pathology, forest entomology and forest economics will be brought together to comprehensively analyse, as case studies, the full costs and benefits of managing several well-known pests and pathogens. It aims to provide a more knowledgeable basis for forest managers to make decisions on investment in biosecurity and pest management.
- *E. globulus* genetics trials. With *Eucalyptus globulus* (Tasmanian Blue Gum) becoming an increasingly important plantation species for the production of high value products such as timber and veneer, a new collaborative project will harness genetics to deliver more productive trees to the plantations and higher value wood to processors. Forestry Tasmania, through collaboration with UTAS and the Southern Tree Breeding Association, is participating in an Australian Research Council co-funded project to investigate the genetics of *E. globulus* that affect characteristics important to the production of the high-value wood products from plantations. The genetic information will be utilised though traditionally based but highly sophisticated breeding activities. These activities will deliver the seeds for a new generation of plantations that are better adapted to future environments and wood product markets.

A full list of projects and scientific papers published by Forestry Tasmania's scientists is available on Forestry Tasmania's website.

MANAGING FOREST VALUES

Certification

Forestry Tasmania's sustainable forest management performance is currently independently audited and certified against the requirements of three voluntary certification standards:

- the Australian Forestry Standard (AS 4708),
- Environmental Management Systems (AS/NZS 14001), and
- Occupational Health and Safety Systems (AS 4801).

These certifications provide customers and stakeholders with an assurance that Forestry Tasmania's management systems underpinning compliance with standards are operating effectively.

Forestry Tasmania's independent third party auditing body conducts regular surveillance audits to confirm continuing compliance with the standards. The certification standards require that a certified organisation undergo re-certification at prescribed intervals (nominally 3 yearly). Forestry Tasmania underwent a recertification audit in 2014/15 and was successfully recertified against all three standards.

In December 2014, Forestry Tasmania also underwent its first full forest management assessment to assess compliance against Forest Stewardship Council (FSC®) standards. The assessment was undertaken by an independent certification body, SCS Global Services. FSC® certification is important to Forestry Tasmania because it will provide further and ongoing access to key markets and added stakeholder assurance that we are managing the forests effectively.

With over 200 criteria in the FSC forest management standard, Forestry Tasmania is progressing toward gaining this stringent certification. Since the assessment, further work has already been undertaken to improve compliance against certification requirements including on how we evaluate high conservation values and management of threatened species.

Compliance with *Forest Practices Act 1985*

All forest operations must be carried out according to a certified Forest Practices Plan. Forest Practices Plans contain specifications for harvesting, road works and reforestation activities, which must comply with the Forest Practices Code.

The Forest Practices Code requires assessment of natural and cultural values, including flora, fauna, geomorphology, soils and water, cultural heritage and visual amenity, and the inclusion of appropriate management prescriptions for identified values in a Forest Practices Plan.

The forest practices system, administered by the Forest Practices Authority, emphasises high environmental standards through planning, training and education. Where problems arise, corrective actions, including the remediation of damage, takes place. This is followed by review, analysis and improvement of systems to ensure that similar errors do not occur in the future. Where the problem is considered serious, legal enforcement is applied in a number of ways. This includes verbal or written notification by a Forest Practices Officer, which is issued under Section 41 of the Forest Practices Act 1985. The Forest Practices Authority may also prosecute or issue fines for failure to comply with certified Forest Practices Plans.

There were no significant breaches of the *Forest Practices Act 1985* this year that resulted in either a fine or prosecution against Forestry Tasmania.

Forestry Tasmania issued one Section 41 notice to a harvesting contractor for the year as a result of a breach that occurred in a harvesting operation when wet weather limitations were not implemented. Work had already ceased and remediation was undertaken after ground conditions improved.

The Forest Practices Authority undertakes an independent annual audit of a representative sample of Forest Practices Plans. The audit examines environmental management during forest operations at various stages of completion. In addition to the assessment of operational performance, the audit checks the standard of the plan, including all assessments and procedures required by the forest practices system.

The Forest Practices Authority audit examined 17 Forest Practices Plans developed by Forestry Tasmania. We scored an average rating of 'sound' on all 11 criteria examined, which is the highest level obtainable under the FPA scoring system. One follow-up investigation was required as a result of these inspections, which related to the use of an extraction track outside of the designated operational area. This issue is currently being resolved through consultation with the FPA.

Forest activity assessments

Where compatible, Forestry Tasmania encourages the use of Permanent Timber Production Zone land for uses other than wood production. Third parties regularly seek permission for an array of proposed activities such as recreational events, film production and scientific research, as well as construction of communication towers and visitor facilities, and establishing new and using existing apiary sites. As the forest manager, Forestry Tasmania has a responsibility to manage these activities so that they do not compromise the values of Permanent Timber Production Zone land. To achieve this, each proposed activity is assessed to ensure existing natural, cultural and social values are not compromised, and that any potentially detrimental effects are either mitigated or avoided. Forestry Tasmania conducted 49 activity assessments during the 2014/15 year.

Reserve system

The area of land under Forestry Tasmania's long-term management control is about 800,000 hectares. Of this, 40 per cent is set aside in informal reserves or other non-production areas and makes a significant contribution to Tasmania's reserve network.

The 1997 Regional Forest Agreement established the Comprehensive, Adequate and Representative reserve system to:

- include the full range of vegetation communities (comprehensive)
- ensure the level of reservation is large enough to maintain species diversity, as well as community interaction and evolution (adequate) and
- conserve the diversity within each vegetation community, including genetic diversity (representative).

Comprehensive, Adequate and Representative (CAR) reserves provide security for species that might otherwise be disadvantaged by production forestry. They provide continuity of habitat and, for many plants and animals, re-colonisation sources. In this sense, CAR reserves have ecological 'influence' over the surrounding production forest, with the level of influence proportional to the distance from the reserve to the production forest.

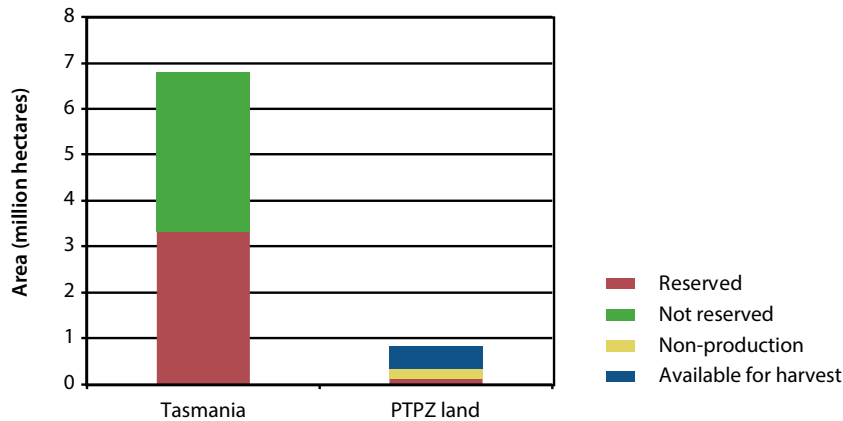
During 2014/15 approximately 350,000 hectares of former PTPZ land became Future Potential Production Forest land under the *Forestry (Rebuilding the Forest Industry) Act 2014*, to be managed under the authority of Crown Land Services (DPIPWE).

Of the residual PTPZ land (812,000 hectares), nearly 15 per cent (121,000 hectares) is part of the Comprehensive, Adequate and Representative Reserve system as Informal Reserves. The physical configuration of these informal reserves may be adjusted to meet forest management requirements, (such as field verification of informal reserve values, or optimisation of operational/reserve boundaries) provided the overall level of protection is maintained. This resulted in nine adjustments to the boundaries of these informal reserves within Permanent Timber Production Zone land in 2014/15.

A further 25 per cent (205,000 hectares), is either not available for wood production, or not harvested due to various constraints. Although not formally recognised as part of the Comprehensive, Adequate and Representative system, these non-production areas make a significant contribution to maintaining environmental values on the PTPZ land. Although it is possible that these areas could be used for wood production in the future, the majority will remain unharvested.

The 485,000 hectares of PTPZ land that is managed for wood production, makes up seven per cent of Tasmania's land area.

SUMMARY OF TASMANIAN RESERVE SYSTEM



Landscape context planning system

Forestry Tasmania has continued to progress and develop the Landscape Context Planning system, our landscape level approach to managing biodiversity values in native forests harvested by clearfelling or aggregated retention.

The Landscape Context Planning system sets two main objectives for public forest in a one-kilometre radius around the centre of any clearfell or aggregated retention coupe:

- at least 20 per cent of native forest be retained for the long term (long-term retention target) and
- less than 50 per cent of native forest is younger than five years of age (dispersal target).

Our objectives are to meet these targets in at least 90 per cent of coupes harvested annually.

Forestry Tasmania has developed a set of analytical tools to assist planners in adjusting the location and extent of harvest operations in order to meet these objectives.

When combined with the existing CAR reserve system, and implemented on all relevant coupes in the managed landscape, the system should provide sufficient habitat for species to persist, and to recolonise areas after harvest disturbance.

We began reporting on the implementation of the Landscape Context Planning System in 2013/14, the first full year after the system was implemented.

Of the 61 coupes harvested in 2014/15, 92 per cent met or exceeded the long-term retention target and 100 per cent met the dispersal target. We therefore met our Landscape Context Planning System objectives. The average amount of forest retained for the long term in the one-kilometre radius around harvested coupes in 2014/15 was 30 per cent compared to 32 per cent in 2013/14.

We have now fully integrated the Landscape Context Planning system into our planning procedures and, in the coming year, we will continue to further develop this system to help implement and report on our strategic management of threatened fauna at the landscape scale.

Biodiversity performance and initiatives

One of Forestry Tasmania's key stewardship roles is to sustain biodiversity across Tasmania's public production forests. We do this in the context of current policy settings and by continuously improving forest planning and practices.

As noted earlier, Forestry Tasmania manages biodiversity by contributing to the Tasmanian Comprehensive, Adequate and Representative reserve network, and managing wood production areas in accordance with the Forest Practices Code and internal conservation planning systems.

The Forest Practices Code provides for biodiversity conservation through detailed planning requirements, for example, riparian buffers for stream protection and habitat retention.

Forestry Tasmania also continues to implement forest management strategies that sustain biodiversity, such as using fire as a forest regeneration tool, employing variable retention silviculture and applying the Landscape Context Planning system.

Managing high conservation value areas

In December 2014, Forestry Tasmania published its High Conservation Values (HCV) Assessment and Management Plan, after significant stakeholder consultation and input.

Forestry Tasmania has undertaken an extensive and detailed scientific assessment of the forest within its Forest Management Unit of approximately 742,000 ha (a subset of Permanent Timber Production Zone land for which Forestry Tasmania has full management control) in order to identify forest areas which are of High Conservation Value (HCV). This assessment has been guided by national and international HCV guidelines and other relevant sources pertaining to the assessment and identification of HCVs. This assessment has involved consultation with experts in the subject areas assessed, independent research, literature review, extensive spatial analysis and extensive consultation with stakeholders. Extensive feedback and public consultation on an earlier draft has been incorporated into the final report. Forestry Tasmania has implemented a precautionary approach in the assessment process and development of management prescriptions for HCV areas.

Old growth

Old growth forests are mature forests in which the effects of disturbance are now negligible. They are important environmentally, socially and economically to Tasmania.

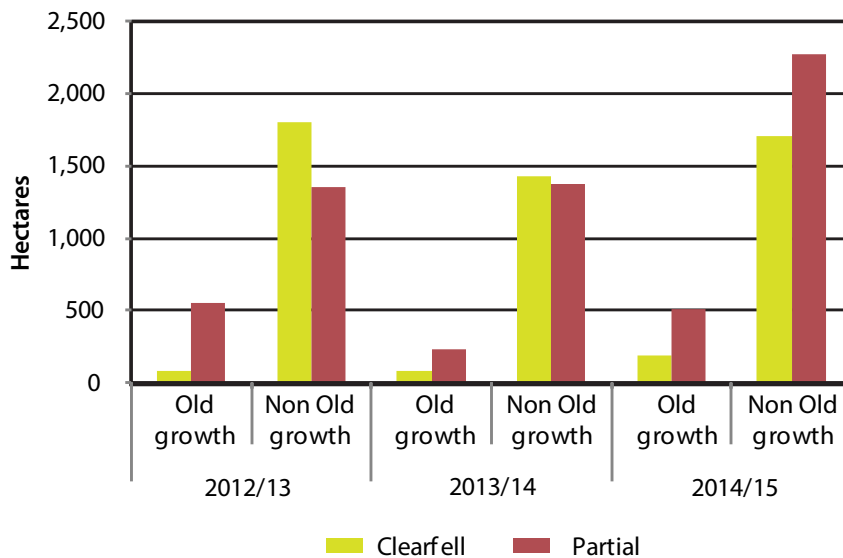
In Tasmania, old growth forest occurs across all land tenures. Well over one million hectares of old growth forest is protected across all land tenures in Tasmania. Nearly seventy percent of the old growth forest on PTPZ land is either managed for protection or in areas unavailable for harvesting.

Only a small proportion of Tasmania's total old growth (less than four per cent) is available for timber harvesting. This portion is vital for sustaining the supply of high-quality sawlogs and special species timbers.

The total area of old growth harvested in 2014/15 was 695 hectares. Of this area, 509 hectares (73 per cent) was harvested using non-clearfell techniques, and 186 hectares (27 per cent) was clearfelled.

In the coming year Forestry Tasmania is completing its transitioning out of clearfelling Coupes Containing Old Growth (those with more than 25 per cent mapped old growth). In 2016/17 and beyond no Coupes Containing Old Growth will be clearfelled.

NATIVE FOREST TYPE HARVESTED BY HARVEST METHOD



Giant trees

Forestry Tasmania's Giant Tree Policy requires all trees over 85 metres in height or 280 cubic metres in volume to be protected. This policy is implemented by pro-actively searching for giant trees using LiDAR and on-the-ground surveys, and by protecting all discovered giant trees in reserves.

In 2014/2015, we found and protected two additional giant trees.

Of the 149 giant trees registered, 80 are on land managed by Forestry Tasmania.

Chemical use

Pesticide use

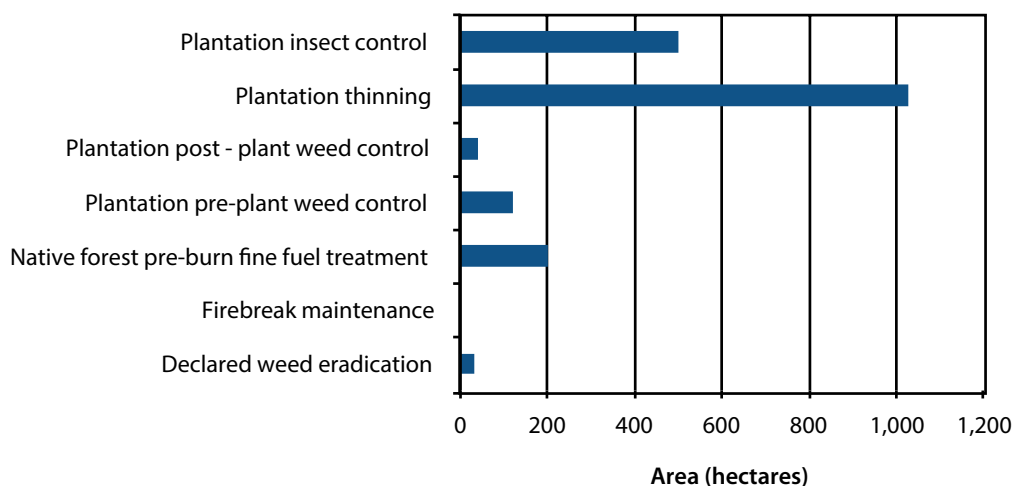
Forestry Tasmania uses pesticides where it is impracticable to use alternative methodologies for achieving forest management objectives. All chemical applications are conducted in accordance with regulatory requirements.

In 2014/15, chemicals were applied to 1,924 hectares of forest, compared with 2,045 hectares in 2013/14. At least half of the 2014/15 pesticide application area (1,030 hectares) was associated with chemical thinning of plantations through direct injection of lower quality tree trunks.

Forestry Tasmania's integrated pest management approach ensures that insecticide use is limited to situations where insect populations are high, and the threat of economic damage is real. This year, we used 11 kg of alpha-cypermethrin active ingredient for the purposes of insect control.

In 2014/15, we applied herbicides to 1,423 hectares. Forestry Tasmania uses herbicides for a range of reasons, including to improve conditions for seedling growth at the time of forest establishment, to conduct non-commercial thinning operations in younger plantations, to control declared weeds, and to maintain firebreaks.

AREA TREATED WITH PESTICIDES



In 2014/15 we applied 1,502 kilograms of herbicide active ingredient in both liquid and granular form. The majority of active ingredient used (99 per cent) was glyphosate.

Forestry Tasmania's forest nursery at Perth used approximately 23 kilograms of active ingredient for the purpose of controlling weeds and fungi in containerised seedlings.

Fuel and chemical spills

Forestry Tasmania had no fuel or chemical spills in 2014/15.

Forestry Tasmania takes all possible care and precaution to avoid spills and has set procedures in place for managing fuel and chemical spills for if they do occur. All accidental spills of fuels or chemicals are recorded in Forestry Tasmania's Corrective Action Request system, and managed to minimise the potential adverse environmental effects. The Department of Primary Industries, Parks, Water and Environment is notified of spills greater than 20 litres.

Water quality

To minimise the risk of chemical contamination from our pesticide operations, we use the CSIRO-developed Pesticide Impact Rating Index software package. The Pesticide Impact Rating Index determines the risk of a pesticide operation based on mobility; toxicity to indicator plants, invertebrate, fish and mammal species; and site-specific variables such as soil type and landscape. In 2014/15 all of the chemical application operations that we were required to model using the Pesticide Impact Rating Index were modelled as posing low or very low environmental risks.

We also conduct a water quality monitoring program at sites where there may be a risk to water quality, or where there is stakeholder concern associated with our chemical use.

In 2014/15 we submitted water samples from four operations for independent analysis. None of the samples we submitted contained any detectable levels of chemicals, continuing our good recent record in effectively managing chemical applications.

Cultural site management

In 2014/15, Forestry Tasmania continued its consultation with the Aboriginal community, particularly regarding the development of an Aboriginal Cultural Heritage Policy and Access to Traditional Materials Policy which have now been implemented. Forestry Tasmania also continued to work with Aboriginal Heritage Tasmania to continue to improve management of Aboriginal heritage values on Permanent Timber Production Zone land.

With respect to managing cultural heritage, evaluation surveys are undertaken as part of our pre-harvest assessment of special values. These evaluations may detect new sites, or re-detect old sites that had no contemporary map reference. Located archaeological sites are assessed and protected as necessary. These sites may include artefact scatters, former mines, tramways, huts, boilers and old mill sites.

This year, seven Aboriginal cultural heritage sites and 17 new non-Aboriginal heritage sites were found for which we implemented appropriate management prescriptions.

Soils

Soil and geomorphology values are considered during the development of Forest Practices Plans.

As at the end of 2014/15, we recorded a total of:

- 4,770 hectares as having been declared unavailable for harvesting due to the risk of erosion, and
- a total of 78,090 hectares being managed for soil and geo-conservation values.

Carbon storage in PTPZ forests

Forestry Tasmania recognises the significant role of forests in the global carbon cycle. Our Forest Carbon Policy commits the organisation to maintaining the carbon storage capacity of the forests on the Permanent Timber Production Zone land it manages.

The exchange of carbon, primarily between forests and the atmosphere, gives forest managers, like Forestry Tasmania, opportunities to limit greenhouse gas emissions through forest management.

Options to reduce greenhouse gas emissions include:

- storing carbon in landscapes
- storing carbon in wood products and
- providing society with a low-emissions resource (wood products) to substitute for alternative materials that have larger emissions.

The carbon storage capacity of the forests managed by Forestry Tasmania is maintained by managing the forest in accordance with sustainable yield calculations, maintaining Forestry Tasmania's informal reserve system, and regenerating harvested forests.

Forestry Tasmania estimates the carbon stocks on PTPZ land to be 68 million tonnes. It is predicted that carbon stocks will remain in a fairly steady state until about 2030, before increasing to approximately 78 million tonnes in 2050. The estimate predicts carbon storage in standing trees until 2050, and is based on the latest sustainable yield review. The update calculated in 2014 was undertaken using the same methodology as the previous estimate, which was prepared by the MBAC Consulting Group in 2007.

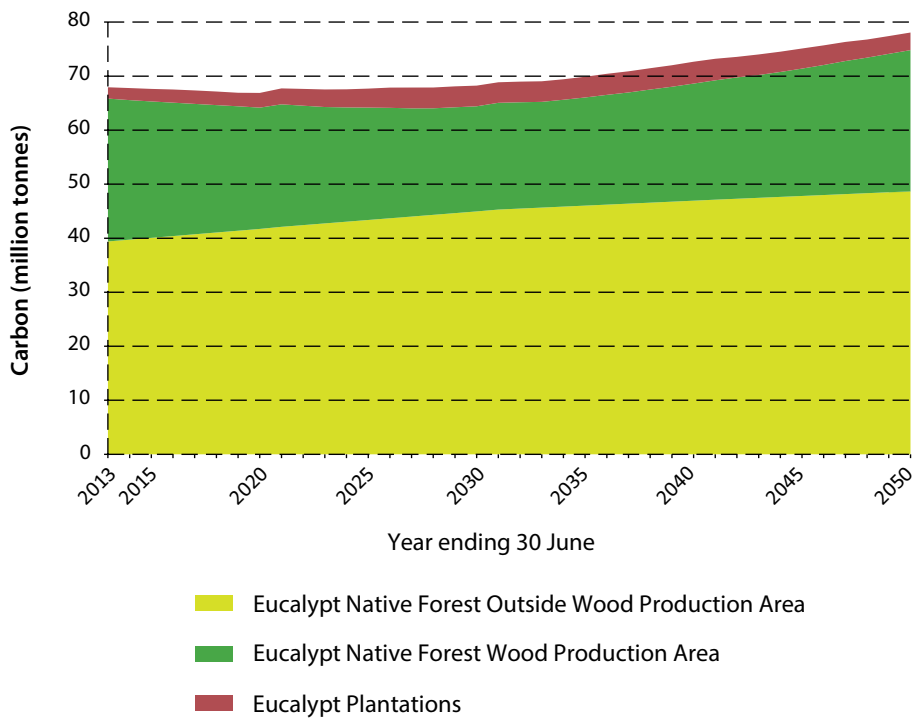
The estimate shows that reductions in carbon associated with harvesting are offset by growth in the forest as a whole.

To fully understand carbon and the role forests play, the whole life-cycle of forests including regrowth and the carbon stored in, and offset by, harvested forest products need to be considered.

Standing forests hold carbon stocks, but so do the forest products - timber, paper – that come from harvesting those forests. Carbon emissions can be reduced by using wood products in place of alternative, more greenhouse gas intensive materials such as metal, concrete and plastic.

Well-managed forests are not just for carbon storage. They maintain biodiversity, water quantity and quality and produce a variety of other goods and services, including carbon storage but also employment, income and other opportunities to society.

ESTIMATED CARBON STOCKS IN STANDING LIVE TREES ON PTPZ LAND



FOREST PROTECTION

Planned burns

Forestry Tasmania undertakes planned burns for two main reasons:

- Improve the safety of the community by reducing fuel loads in forests on PPTZ land and other identified high priority areas and
- To regenerate harvested forests in a similar manner to natural regeneration following bushfire.

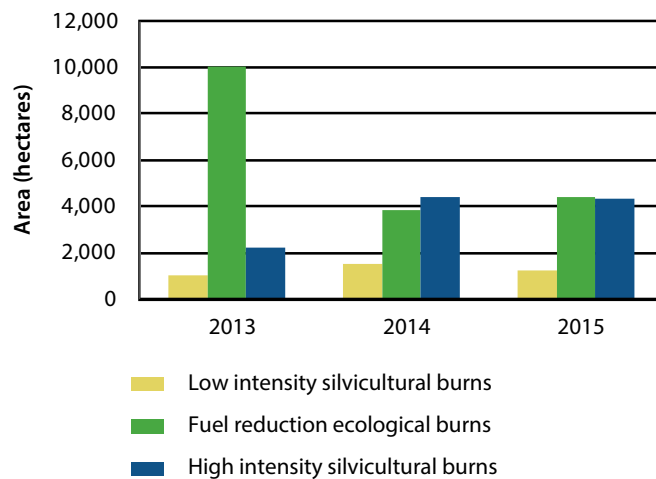
The majority of Forestry Tasmania's planned burning is undertaken during spring and autumn, as weather and fuel conditions at that time of year enable fire behaviour to be safely manipulated to match operational objectives.

Fuel reduction burns are carried out to protect communities and assets, maintain the health of fire-dependent vegetation communities and to reduce fuel levels and create some seedbed in partially harvested coupes while minimising damage to the remaining trees.

All burning operations are intensively planned and conducted in accordance with long established, research-based prescriptions.

The weather patterns over the 2014/15 burning season provided some good opportunities for burning. This enabled Forestry Tasmania to undertake 141 forest regeneration burns covering 5,566 hectares and 20 fuel reduction burns covering approximately 4,416 hectares. Forestry Tasmania also undertook fuel reduction burns on behalf of other forest companies and assisted other agencies with an additional 11 burns.

PLANNED BURNS CONDUCTED ON PERMANENT TIMBER PRODUCTION ZONE LAND



Forestry Tasmania works to minimise the effects of burning activities on the Tasmanian community, although smoke is an inevitable product of the regeneration and fuel reduction burning process.

Forestry Tasmania, other forest industry companies, and the Parks and Wildlife Service, therefore coordinate smoke management through participation in the Coordinated Smoke Management System. The CSMS is administered by the Forest Practices Authority. On each day planned for burning, the Forest Practices Authority sets maximum smoke load limits for Tasmania's 'airsheds', and Coordinated Smoke Management System participants manage their burning within their smoke allocation. In addition, Forestry Tasmania aims to burn only in areas for which forecast weather conditions indicate the smoke will have minimum impact on settled areas. At present, the Coordinated Smoke Management System only applies to burns carried out by Forestry Tasmania, the forest industry and Parks and Wildlife Service, so other private landholder burns do not have to comply with these smoke load requirements.

Practices applied to minimise disruption to the community during the 2015 burning season also included the following:

- Briefing key stakeholder organisations, and notifying the general public through public notices in State and regional papers, as early as possible before the burning season commenced in autumn
- Daily stakeholder and media advisories were issued at or before 11:00am on the morning of planned burns
- Daily appraisals of smoke management issues arising from planned burns were issued each evening. These included, when necessary, an explanation of factors that contributed to any unexpected outcomes.

Forestry Tasmania also continued to provide information on the Tasmanian forest industry planned burns website (plannedburnstas.com.au), and on Forestry Tasmania's facebook page which was advertised on our website, to ensure that the community had access to information about the location of planned burns.

Air quality monitoring

Forestry Tasmania accesses a network of air quality monitoring stations known as the Base Line Air Network Tasmania (BLANKET) to assist with planning our burns and monitoring air quality. The network is managed by the Environmental Protection Authority and comprises approximately 30 monitoring stations, which are largely located in the main Tasmanian population centres.

The BLANKET sites supply near real-time particle concentration data, allowing monitoring of the amount of smoke or dust in the atmosphere near each station and to determine if national air quality guidelines have been or have the potential to be exceeded. The measurement equipment used at these sites provides data that is only indicative of air quality, but it nevertheless provides a valuable tool to monitor the spatial extent of smoke events produced not only by Forestry Tasmania's planned burns but also by other agency planned burns, domestic firewood and bushfires.

Forestry Tasmania uses the network to monitor and estimate the extent of any degradation of air quality arising from all forms of prescribed burning, including non-Forestry Tasmania burns. This information strongly influences the scheduling process for the remaining burn program.

The Environmental Protection Authority Air Section identified 147 indicative exceedances of the national air quality standard at the BLANKET sites across the duration of the prescribed burning program. Forestry Tasmania reviewed these events in relation to the timing and location of all our burns, and could not attribute any exceedances wholly to the burning program. However, it is acknowledged that, along with other smoke sources, smoke generated from Forestry Tasmania burns probably contributed to eight exceedances detected at the Geeveston, Huonville, New Norfolk and Westbury monitoring stations.

The Environmental Protection Authority is also responsible for recording and investigating all smoke-related complaints for the State. Forestry Tasmania therefore forwards all smoke-related complaints that it receives to the Environmental Protection Authority for compilation.

In 2014/15, the Environmental Protection Authority received 19 complaints of which Forestry Tasmania-generated smoke potentially contributed to eight. We will continue to work with other agencies in the future to monitor and minimise smoke impact on communities.

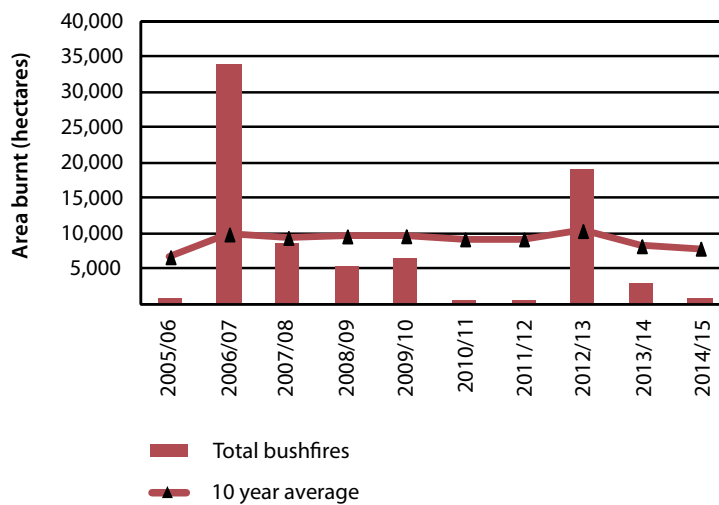
Bushfire response

As a land manager, Forestry Tasmania is obliged to control and extinguish bushfires that occur on Permanent Timber Production Zone land. There are many causes of bushfires, including lightning, arson and carelessness. Lightning causes only a small proportion of the fires recorded as occurring on PTPZ land, with the majority being caused by people.

Fortunately, the 2014/15 fire season was quiet, with the season's major bushfires occurring at Lefroy in the State's north, and Runnymede in the south.

A total of 35 bushfires burnt approximately 605 hectares of PTPZ land during the 2014/15 season. The area burnt in 2014/15 was less than 1 per cent of the 10-year rolling average of 24,677 hectares. Over the 2014/15 season, fire suppression activities cost Forestry Tasmania \$548,635.

AREA BURNT ON PERMANENT TIMBER PRODUCTION ZONE LAND BY BUSHFIRES



Forestry Tasmania also contributed 5,870 working hours for suppression activities during the season. These included:

- 4,004 hours of general firefighting activities for crew members, strike team leaders, heavy tanker drivers and tree fellers
- 1,029 hours worked in incident management teams as incident controllers, and in planning roles such as mapping, resourcing and fire behaviour prediction
- 813 hours of divisional or sector command
- more than 24 hours of aerial fire mapping, including specialist night vision goggle work.

FOREST HEALTH

Weeds, pests and diseases

Forestry Tasmania maintains its commitment to managing weeds, pests and disease through the following routine measures:

- Managing the risk of weed and pathogen spread in forest operations by implementing wash down and quarry management procedures
- Monitoring and controlling identified declared noxious weeds
- Maintaining a forest health surveillance program to identify issues as they emerge
- Operating an integrated pest management program to control the damage in plantations caused by leaf beetles
- Monitoring and controlling the damage to establishing forests caused by browsing mammals.

Plantation health

Forestry Tasmania maintains a forest health surveillance program to detect new or emerging forest health problems, and to facilitate the management of pests and diseases in plantations on PTPZ land.

Once a health problem is detected, Forestry Tasmania personnel work with field officers to further investigate issues and develop effective controls. Roadside and ground surveys covered approximately 38,000 hectares of hardwood plantation this year.

Our surveys included checking for ginger tree syndrome and myrtle rust, discussed below, and an outbreak of defoliating fungal pathogens in a localised region in the northeast of the State due to a very wet summer. This primarily involved *Mycosphaerella* Leaf Blight and caused moderate to severe defoliation and poor crown density across a number of mid-rotation plantations. In some cases this compounded damage caused by leaf beetles and/or wind thrashing.

Ginger tree syndrome

Last year we reported on a newly detected syndrome in mid-rotation *Eucalyptus globulus* plantations involving copious resin bleeding and underlying resin-filled defects in the wood. This was determined to be caused by heat stress and has since been termed “ginger tree syndrome”. Follow-up assessments this year showed that only a small percentage of “ginger” trees had died. On average around eight per cent of trees with visible external symptoms had died but this only represented 1.3 per cent all assessed plantation trees. External symptoms are disappearing as new wood is produced and ginger bark is sloughed off.

Myrtle Rust

There was an outbreak of Myrtle Rust identified in the State although no myrtle rust was found in the forests managed by Forestry Tasmania.

Although Tasmania's climate doesn't typically provide the conditions myrtle rust needs to survive, we have been working with DPIPWE and the Government's biosecurity team for the past four years following an outbreak on the mainland in 2010. Over that time, whenever Forestry Tasmania has conducted forest surveys we have included an inspection for myrtle rust and provided the results to DPIPWE to include in their survey data. Although no myrtle rust has been found in Forestry Tasmania managed forests to date we continue to maintain our monitoring program.

Myrtle Rust is a fungus that tends to attack new growth, killing new shoots. Therefore small seedlings are particularly vulnerable but trees with some mature growth recover the following year. Experience from other areas also shows that plantations recover well from a single severe epidemic event.

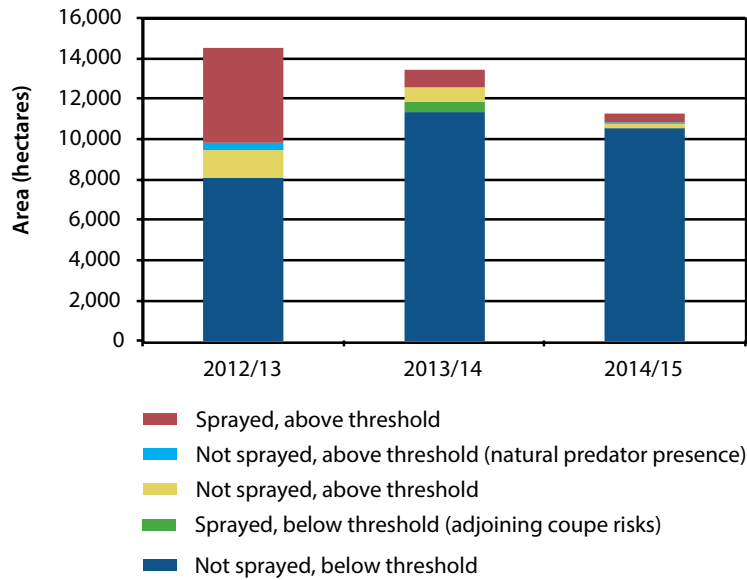
Leaf beetle management program

Forestry Tasmania has conducted an integrated pest management program (IPM) for many years to control leaf beetles (chrysomelids), which can cause severe defoliation damage to plantation eucalypts. The program emphasises monitoring population levels to minimise the use of pesticides while still providing an effective way to prevent substantial growth losses.

The summer of 2014/2015 had the lowest leaf beetle populations on record with consequently reduced areas of damage and reduced need for control operations. Forestry Tasmania monitored 11,228 hectares for damaging insect populations this year but only 737 hectares were above threshold. Control operations were conducted across 451 hectares which is the smallest area since the IPM program commenced over 20 years ago.

We continued our intensive management using an adjustment to our IPM program for our mid-rotation plantations with poor crown density in the northeast highlands. Along with lower leaf beetle populations this has proved very effective at achieving good crown recovery. Of the 3,728 hectares originally assessed as having chronically thin crowns in 2012 only 164 hectares were still considered poor this year. Efforts will be focussed on the area defoliated by fungal pathogens in the coming season to help prevent a decline into chronic poor crown density.

LEAF BEETLE IPM: SUMMARY OF MONITORING OUTCOMES



TOURISM

Forestry Tasmania's focus is on its core commercial functions of managing the Permanent Timber Production Zone land and harvesting and selling wood, and as a result our tourism ventures have reduced.

With changes in legislation in 2013/14, Eagles Eyrie and Tarkine Adventure Forest at Dismal Swamp transferred to the Department of Primary Industries, Parks, Water and Environment (DPIPWE). In 2015, Forestry Tasmania also progressed sale of its ownership stake in Hollybank Treetops Adventure.

Forestry Tasmania still owns and manages Tahune AirWalk which had a successful year with close to 74,000 visitors for the year (70,000 in 2013/14). The AirWalk's performance was on trend with the Huon Trail route and indicative of the tourism market's move to more frequent but shorter holidays in Hobart, and reduced touring in the regions.

Forestry Tasmania's marketing to Asian visitors was successful, and focus was also increased on groups and the Tasmanian market. The Forest Friends Card, which provides Tasmanian residents with free admission to the AirWalk when accompanied by one or more paying guests, proved to be very effective in encouraging local visitation.



performance against corporate objectives

4 Actively engage with stakeholders

STAKEHOLDER ENGAGEMENT STRATEGY

Forestry Tasmania recognises that we need to engage effectively with all our stakeholders and are committed to doing so as an important and integral part of doing our job well.

Forestry Tasmania published a new Stakeholder Engagement Strategy in October 2014 to clearly communicate to its stakeholders (including neighbours, other directly affected community members, interested members of the community, staff, and auditors) how and when we engage with our stakeholders during planning and in conducting operations.

In particular, Forestry Tasmania aims to:

- Ensure we are aware of and respect the needs and expectations of our customers, neighbours, staff and the wider community
- Obtain valuable insights and input that will assist planning and decision making
- Ensure we are aware of and can respond promptly to issues of concern before they become more significant problems
- Develop and maintain open, trusting relationships with stakeholders
- Build understanding, trust and support for what Forestry Tasmania does

Forestry Tasmania wants to achieve better outcomes for all concerned by being aware of and taking into account stakeholder interests when developing its plans, so that we can conduct our operations in a way that minimises potential issues of concern. While we are not always able to meet all stakeholder requests or alleviate all concerns, Forestry Tasmania recognises that the earlier an issue is known the better it can be appropriately managed and make reasonable adjustments.

Where possible, we publicise our planned activities in advance to identify as early as possible any stakeholders that might have concerns about that activity. During 2014/15 Forestry Tasmania published its Three Year Wood Production Plan, planned burning program, spraying and planned harvesting operations. Forest Practices Plans were also made available on our website along with our interactive map viewer.

Stakeholder engagement activity

During the course of 2014/15, Forestry Tasmania has engaged with a range of stakeholders from community members, neighbours, commercial and recreational users to government organisations. In total, Forestry Tasmania engaged with over 2,326 distinct stakeholders in 978 separate interactions. This is in addition to general information provided via its website/social media and direct pre-operational notification to neighbours.

Aboriginal cultural heritage

Building on engagement with the Aboriginal community in 2013/14, Forestry Tasmania finalised and implemented in 2014/15 an Aboriginal Cultural Heritage Policy and Access to Traditional Materials Policy. Forestry Tasmania also continues to work with Aboriginal Heritage Tasmania, the FPA and industry stakeholders to continue to improve management of Aboriginal heritage on Permanent Timber Production Zone land. In December 2014, our Senior Management Team undertook cultural awareness training through the Tasmanian Aboriginal Centre and is considering further adoption of the program throughout the organisation.

Ministerial support

In addition to regular Ministerial briefing on emerging issues, Forestry Tasmania responded to 24 requests in the past year from the Minister for Resources in relation to correspondence received by the Minister regarding Forestry Tasmania. The majority of these requests were in relation to local stakeholder concerns about proposed nearby operations or road conditions.

Right to information

The *Right to Information Act 2009* places significant emphasis on pro-active disclosure of information without the need for stakeholders to make formal applications.

In response to formal requests, it also provides for active disclosure, which is the voluntary release of information, and for an enforceable right to information under assessed disclosure, unless some of the information sought is exempt under the Act.

In 2014/15, we continued to pro-actively release information via our website and to the media.

During the year, we also received 20 applications of which 12 were accepted as assessed disclosure, an increase on the previous year's total of five, with the other eight released under active disclosure.

Leases and licences

The *Forest Management Act 2013* gives Forestry Tasmania statutory responsibilities for management and control of all Permanent Timber Production Zone land, and consequently, for the granting of all permits, licences, forest leases and other occupation rights.

The Act enables Forestry Tasmania, on behalf of the Crown, to grant easements over Permanent Timber Production Zone land for such purposes and upon such terms and conditions as Forestry Tasmania determines.

Forestry Tasmania agrees to leases, licences and easements with commercial businesses, non-commercial organisations and government entities for many purposes including telecommunications towers, weather stations, pipelines, electricity transmission lines and dams. As of 30 June 2015, there were 542 current leases, licences and easements on Permanent Timber Production Zone land, with around 40 in various stages of negotiation.

SPONSORSHIP

While Forestry Tasmania's overall sponsorships have decreased over the past years, two important sponsorships remain supporting forest education and the support of furniture makers and other wood crafts people.

Forest Education Foundation

Forestry Tasmania continued its sponsorship of the Forest Education Foundation, which delivers appropriate age based programs to schools to learn about forests and forest management.

We also continued working in partnership with the Forest Education Foundation in delivering our open days, held in the school holidays and delivered a range of fun and informative activities.

Forestry Tasmania's support for the Forest Education Foundation is paid for through a community service obligation along with in-kind support.

Design Centre, Tasmania

Forestry Tasmania is a founding member of the Design Centre, based in Launceston. The Design Centre, since its establishment in 1991, has supported Tasmanian wood design, both by supporting artists on the Island and promoting their talents interstate. It also promotes Tasmanian timber, showcasing the unique qualities and attributes of the timber sourced from the forests managed by Forestry Tasmania.

COMMUNITY SERVICE OBLIGATIONS

In August 2014 the State Treasurer and the Minister for Resources directed Forestry Tasmania to provide the following community services. In undertaking these community service obligations Forestry Tasmania incurred net costs and was funded to the extent indicated below.

Fire fighting capacity

- Net cost \$2.24 million
- Government funding \$2.00 million
- Provide assistance with State fire management in the prevention, preparation and detection of bushfires

Fuel reduction burning

- Net cost \$2.00 million
- Government funding \$2.00 million
- Undertake hazard reduction burns and provide assistance with hazard reduction burns coordinated by other State entities as part of a whole of Government approach to fuel reduction.

Road maintenance

- Net cost \$1.23 million
- Government funding \$1.23million
- Maintain agreed forestry roads to allow for continued public access and fire fighting access not related to commercial wood production

Public recreation sites

- Net cost \$0.21 million
- Government funding \$0.21million
- Manage agreed sites on Permanent Timber Production Zone land for public recreation

Special species management

- Net cost \$0.90 million
- Government funding \$0.90million
- Identify, manage and harvest special species timber and manage the Huon pine log stockpile

Forest education activities

- Net cost \$0.20 million
- Government funding \$0.20 million
- Support agreed forest education activities

Non-commercial tourism

- Net cost \$0.23 million
- Government funding \$0.23 million
- Provide agreed non-commercial tourism activities

Warra research site

- Net cost \$0.10 million
- Government funding \$0.10 million
- Continue to facilitate agreed forest research activities at the Warra Long Term Ecological Research site.



Image by Warren Clark

performance against corporate objectives

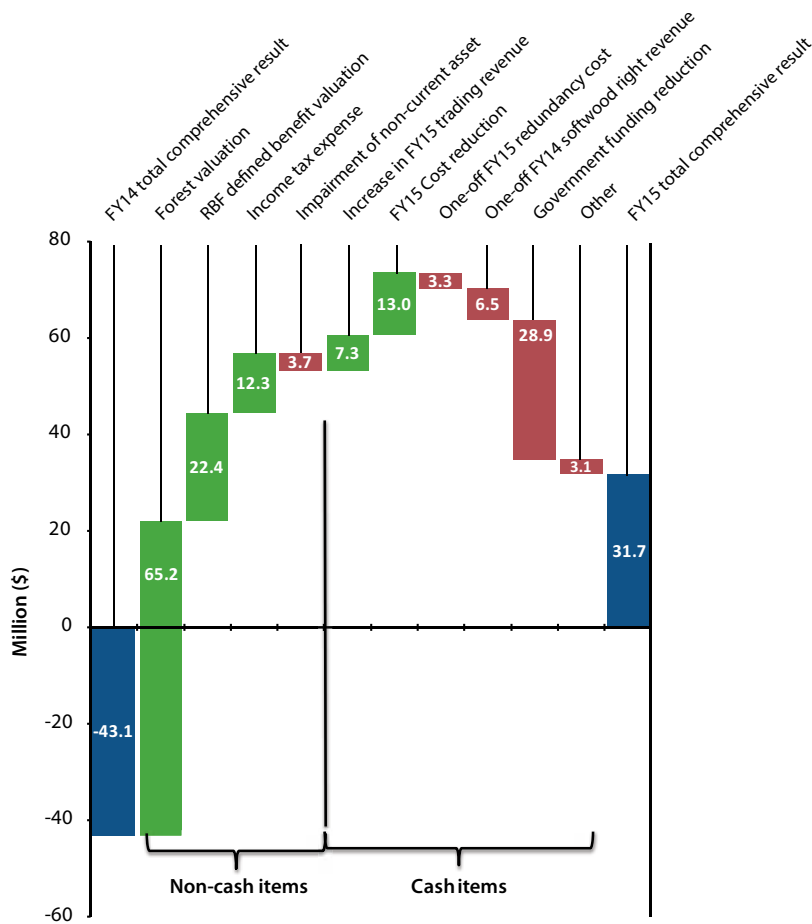
5 Achieve positive financial outcomes

INCOME STATEMENT HIGHLIGHTS

Our financial statements show that Forestry Tasmania’s total comprehensive result in 2014/15 was \$31.7 million compared to a loss of -\$43.1 million in 2013/14.

The chart below shows the significant cash and non-cash items that influenced this result. The left hand blue bar represents our result for 2013/14 of -\$43.1 million, the positive (green) and negative (red) changes are added and subtracted accordingly, resulting in the total comprehensive result for 2014/15 of \$31.7 million.

ANALYSIS OF KEY INFLUENCES ON 2014/15 FINANCIAL YEAR
TOTAL COMPREHENSIVE RESULT COMPARED TO 2013/14 FINANCIAL YEAR (\$M)



Note: Due to rounding of individual items, they do not exactly total to the end result.

NON-CASH ITEMS

There were three major non-cash items improving profitability in 2014/15: an increase in the value of the forest estate, a reduction in the defined benefit superannuation liability and an improvement in the income tax expense.

The increase in the forest valuation was driven by several factors, the main component being the improvement in trading revenues and reduced costs.

The reduction in the defined benefit obligation resulted from changes in assumptions, in particular the use of the corporate bond rate of 4.8 per cent (in 2013/14 the rate was 4.1 per cent based on the Commonwealth bond rate).

CASH ITEMS

The improvement in our financial performance includes an \$11.8 million improvement in total revenue, a significant proportion of which was domestic and export revenue from sales of wood which improved by \$7.3 million year-on-year. This more than compensated for the one-off sale of a softwood forestry right in 2013/14 for \$6.5 million.

Cost control and reduction has been a key focus of Forestry Tasmania. Cost reductions of \$13.0 million were made in 2014/15 including reductions in: salary and wages (\$5.3 million); vehicle costs (\$0.8 million); other sales costs, including harvesting and transport costs (\$3.4 million); contractor expenses, including roading and plantation pruning (\$2 million); and office expenses and operating lease rentals (\$1.5 million).

Forestry Tasmania commenced a redundancy process in May 2015 which resulted in 59 redundancies. The one-off expense of this exercise of \$3.3 million was recognised in 2014/15. Full year savings from this process will be realised in 2015/16. In addition there was a one off impairment expense of \$3.7 million.

Government funding (recognised in the income statement) reduced by \$28.9 million year on year primarily reflecting the cessation in 2013/14 of deficit funding of \$23.0 million and the subsidy for southern residues of \$5.0 million.

Most importantly, our ongoing trading revenue and expense profile has improved by over \$20 million. This improvement was driven by the above mentioned \$13 million cost reductions and \$7.3 million improved revenue.

CASH/BORROWING HIGHLIGHTS

Operating cash flows in 2014/15 reduced by \$30.6 million compared to 2013/14 to result in an outflow of -\$16.8 million. The reduction is mainly driven by the cash impact of the reduced Government funding of \$28.9 million, the non-recurring sale of forestry softwood right of \$6.5 million in 2013/14 and the redundancy costs. The impact of these reductions in cash flows was partially offset by the improvement in trading revenue and costs highlighted above.

Capital expenditure reduced by \$3.0 million year-on-year as road construction was reduced and aligned to the harvest plan for 2015/16.

Forestry Tasmania's borrowing limit was extended during 2014/15 from \$31 million to \$41 million to cover intra-month working capital requirements in 2014/15. At 30 June 2015, the net cash / borrowing position was -\$25.6 million.

STATEMENT OF FINANCIAL POSITION

Forestry Tasmania's net assets increased from \$31.2 million at 30 June 2014 to \$62.9 million at 30 June 2015.

Land, roads and trees are all included in the balance sheet under 'biological assets' in accordance with the most recent valuation methodology used by our independent valuers. While this is a change from 2013/14 where roads and trees were separately disclosed on the face of the balance sheet, it does not affect the total value of these two asset types. The non-current value has increased from \$146.6 million to \$209.3 million and this is principally due to an improvement in underlying trading performance.

As a result Forestry Tasmania ended the financial year with total end-of-year borrowings of \$33.2 million and cash of \$7.6 million. The end-of-year borrowings in 2014/15 were presented as a current liability in the financial statements as the \$30 million equity contribution was used to repay borrowings on 1 July 2015.

FINANCIAL SUSTAINABILITY

Forestry Tasmania is undergoing a period of transition to implement the reform principles of the Government. Those reform principles include encouraging private sector activity, withdrawing from export and transitioning to a new financially sustainable operating model. Critical to achieving this will be successful implementation of a southern residue solution.

In addition, an in-principle decision has been made by Cabinet to allow Forestry Tasmania to sell as much of the hardwood plantations as is necessary to fund its operating deficit and transitional costs over the next two years as it progresses toward a financially sustainable model. While the timing of any potential sale of hardwood plantation is not yet decided, in the interim, Forestry Tasmania will need to borrow to meet these costs.

CONTRIBUTION TO THE ECONOMY

Forestry Tasmania's operations and the forest products it generates make significant economic and social contributions. These benefits are both direct and indirect. Direct benefits include the engagement and payment of service providers, contractors and staff. Indirect benefits include the provision of products to industry for value adding, and the economic activity in communities generated by businesses that service and support Forestry Tasmania's business, customers and suppliers.

In 2014/15 Forestry Tasmania made the following measurable socio-economic contributions:

- Payment of \$118 million to 1,217 companies for goods and services provided to Forestry Tasmania. Of these payments, 86 per cent (\$102 million) were made to 987 Tasmanian-based companies.
- Payment of \$26 million in wages to more than 250 staff.
- Provision of forest products to 52 wood processing customers, the majority of which have Tasmanian-based sawmilling operations.



achieve positive financial outcomes



performance against corporate objectives

6 Provide a safe, healthy and productive workplace

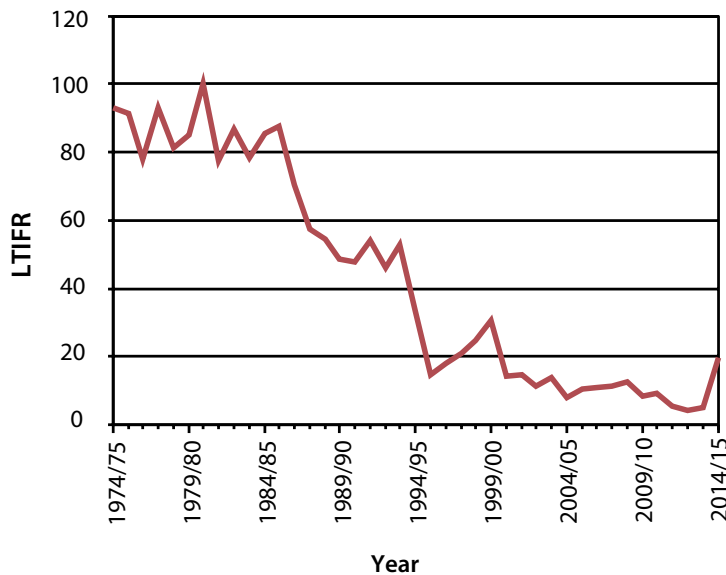
SAFETY PERFORMANCE

2014/15 was a challenging year with only three of the safety performance measures being met.

We sustained ten lost time injuries (LTIs) during the financial year, the highest this has reached since 2008/09.

Due to an overall reduction in 'worked hours' as a result of the reduction in staff numbers, in addition to the increase in the number of LTIs, the Lost Time Injury Frequency Rate increased to 19.61, which is the highest since 1999/2000.

STAFF LONG-TERM SAFETY PERFORMANCE AS MEASURED USING THE LOSTTIME INJURY FREQUENCY RATE (LTIFR)



Our harvesting and haulage contractors also had ten lost time injuries, but due to higher hours worked, the Lost Time Injury Frequency Rate was 11.84. The program of education and mentoring, plus regular safety management system and site audits made an impact with the contractors injuries reducing in higher risk activities.

Forestry Tasmania continues to promote a positive approach to safety, focusing individual workers' attention on staying safe at work. We have developed a new safety strategy to refocus our safety efforts that will roll out across the business and with our contractors in 2015/16.

We also continued with a health and wellbeing program in 2014/15 given the global increase in musculoskeletal disease. In excess of 150 staff signed up to the program, participating in individual health assessments and regular consultations, as well as attending short presentations on various health and wellbeing themes. While the program provider experienced difficulty in maintaining regular contact with some staff due to Forestry Tasmania's dispersed operations, overall results are starting to improve.

Forestry Tasmania's certification to Australian and New Zealand Standard 4801: Occupational Health Management Systems remains in place following the required recertification audit.

Workplace Health and Safety Act 2012 compliance

In the 2014/15 financial year, Forestry Tasmania was not issued with any *Work Health and Safety Act 2012* enforcement notices by WorkSafe Tasmania.

Workers compensation

Forestry Tasmania received 21 workers compensation claims during 2014/15. Of these, 57 per cent were able to be finalised within the financial year.

The Cost of All Claims was under target by 52.39 per cent with a total of \$47,611 for 2014/15, by far our lowest total claims on record.

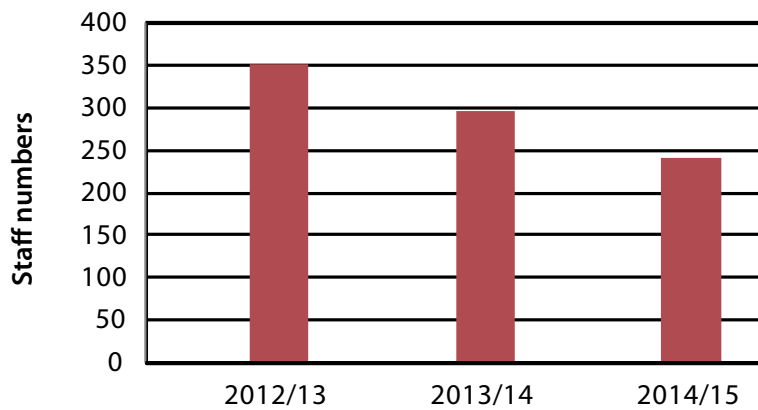
ENTERPRISE AGREEMENT

Employees voted on a new Enterprise Agreement that took effect from 11 May 2015 and has a nominal expiry date of 1 July 2016. In the Enterprise Agreement, Forestry Tasmania committed to developing and implementing a revised Classification and Salary Structure that will be applied in our next Enterprise Agreement. Work on developing the new structure is underway and is being led by our Human Resources team with input and consultation with staff across the business.

STAFF NUMBERS

For many years now, overall staff numbers at Forestry Tasmania have been reducing. The redundancy program run in 2014/15 resulted in 59 redundancies. In addition Forestry Tasmania had 5 resignations, 1 retirement due to ill health and 2 people whose contracts expired. As at 30 June 2015, Forestry Tasmania had 221 full time equivalent employees. Further reductions occurred early in the 2015/16 financial year as those remaining employees impacted by the redundancy program left the business.

STAFF NUMBERS





governance

As a State-owned Government Business Enterprise, the Board of Directors is directly responsible to the Minister for Resources for performance. During 2014/15 the Board of Directors of Forestry Tasmania comprised six independent non-executive directors. Details of the directors, including their qualifications, experience and date if appointed during 2014/15 are provided on page 79. The Board has skills and experience in, inter alia, corporate governance, forestry, stakeholder engagement, and strategic and financial management.

The Board is responsible for the overall corporate governance of the organisation. This includes setting strategic direction, overseeing financial performance and business affairs, setting management goals and monitoring management's performance.

Directors are appointed in accordance with the *Government Business Enterprises Act 1995*. Remuneration fees for non- executive directors are set by Government.

Board Committees are used to assist the Board in achieving its corporate governance aims. Board Committees and terms of reference are regularly reviewed and change with the requirements of the organisation.

The following Board Committees were in place in 2014/15:

- Finance, Audit and Risk Management
- Stakeholder Engagement and Communications
- Remuneration and Board Nomination
- Environment, Safety and Health.
- Major Projects Committee
- FSC Board Committee

The following table shows the Directors' committee membership and meeting attendance in FY15.

Director	Board		Finance, Audit and Risk Management Committee		FSC Board Committee		Stakeholder Engagement Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Bob Annells#	14	11					4	1
Geoff Coffey*	14	14	7	7				
Tony Ferrall**	2	2						
Christine Mucha	14	14	4	4	2	2	4	4
Bob Smith***	14	14			2	2		
Rob Woolley	14	13	7	6			4	3
Ross Bunyon****	3	3	3	3				

Director	Remuneration and Board Nomination Committee		Environment, Safety and Health Committee		Major Projects Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Bob Annells#	2	1			2	1
Geoff Coffey*	2	2			2	2
Tony Ferrall**						
Christine Mucha	2	2	3	3	2	2
Bob Smith***	2	2	3	2	2	2
Rob Woolley	2	2			2	2
Ross Bunyon****	2	1			2	2

Notes:

- * Completed term on 27 August 2015
- ** Appointed on 22 May 2015, attended part meeting on 23/6, not 24/6
- *** Attended one day in December, apology at start on 28/4, only 24/6 in June
- **** Completed term on 16 September 2014
- # Bob Annells was on sick leave for the 27 August and 22 September meetings
FSC and SEC committees amalgamated in late 2014
- Chairman
- Member

Following the Government's Review of Forestry Tasmania, increased demands have been placed on the organisation to effectively manage the ongoing business in tandem with providing effective support, advice and implementation of the Review outcomes. This has required heightened governance which has been managed through working groups set up specifically to deal with the work streams arising from the Review. Working groups have been established to overview analysis and provide advice relating to potential plantation sales, organisational restructure and commercial opportunities. These working groups have representation from Board Directors, senior management and consultants where appropriate. Since the Ministerial Statement on 29 April 2015, there have been 27 working group meetings.

These working groups do not have executive authority and are responsible for making recommendations to the Oversight Working Group which is chaired by the Chair of the Forestry Tasmania Board. The Oversight Working Group has met 15 times in the same period and is accountable to the Board.

Board of Directors

Chairman, Robert Annells PSM, Dip Val, GradDip UP

Geoff Coffey FCPA, ACIS, AGIA, GAICD, Dip FP (term completed on 27 August 2015)

Robert Smith B. Sc Forestry (Hons), M. Sc (ResEcon), PhD, MBA

Dr Christine Mucha B. Ag Sc (Hons), PhD, Dip. Ag Ec, FAICD, Compl Eng

Robert Woolley B. Ec, FICA, MAICD

Ross Bunyon AM B.Comm, Comp. Eng (term completed on 16 September 2014)

Tony Ferrall B. Commerce, FCPA, MAICD (commenced on 22 May 2015)

Secretary to the Board

Chris Brookwell, B. Sc, ICAA, AGIA, Grad Dip ACG, Dip. FP



Forestry Tasmania Board of Directors. L-R
Christine Mucha, Bob Smith, Geoff Coffey, Rob Woolley, Bob Annells PSM.

financial statements



FINANCIAL STATEMENTS CONTENTS

Directors Report	82	Expenses from operations	100
Statement of Comprehensive Income	84	Finance income and expense	101
Statement of Financial Position	85	(Gain)/loss on sale of assets	101
Statement of Cash Flows	86	Assets held for sale	101
Statement of Changes In Equity	87	Taxation	101
Notes to the Financial Report	89	Dividends	105
Details of reporting entity	89	Cash and cash equivalents	105
Statement of significant accounting policies	89	Trade and other receivables	105
(a) Statement of compliance	89	Inventories	106
(b) Basis of preparation	89	Biological Assets	106
(c) Significant accounting judgements, estimates and assumptions	89	Property, plant and equipment	107
(d) Basis of consolidation	90	Impairment of assets	108
(e) Revenue recognition	91	Intangible assets at cost	108
(f) Goods and services tax	91	Investments accounted for using the equity method	108
(g) Dividend policy	92	Other investments	108
(h) Leased assets	92	Trade and other payables	109
(i) Financial instruments	92	Revenue received in advance	109
(j) Inventories (excluding forest assets)	93	Interest bearing liabilities	110
(k) Biological assets (including forest, roads and land)	93	Obligations for non-commercial forest zones ...	111
(l) Forest estate valuation - interest in joint ventures	94	Employee benefits	111
(m) Property, plant and equipment assets	95	Expenditure commitments	114
(n) Intangible assets	96	Contingent liabilities	115
(o) Impairment of assets	96	Controlled entities	115
(p) Income tax equivalent	96	Related party information	115
(q) Employee benefits	98	Key management personnel compensation and other disclosures	115
(r) Obligations for non-commercial zones	98	Auditors' remuneration	119
(s) Finance income and expenses	98	Events subsequent to balance date	119
(t) Reserves	98	Financial instruments disclosure	119
(u) Equity	98	Geographical Information	123
New standards not yet adopted	98	Board Approved Overseas Travel	123
Revenue from forest sales	99	Certification of Financial Statements ...	124
Other income	99	Independent Audit Report	125
Government funding of trading revenue	99		

directors' report

The Directors present their report together with the financial report of the consolidated entity, being Forestry Tasmania (or the Organisation) and its controlled entities, for the financial year ended 30 June 2015.

DIRECTORS

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

Robert Annells PSM (Chairman)

Geoff Coffey (term completed on 27 August 2015)

Robert Smith

Ross Bunyon AM (term completed on 16 September 2014)

Dr Christine Mucha

Robert Woolley

Tony Ferrall (commenced on 22 May 2015)

PRINCIPAL ACTIVITIES

The main undertaking of Forestry Tasmania is the management of Tasmania's Permanent Timber Production Zone land to make available timber to the forest industry.

RESULTS

The comprehensive result of the consolidated entity after income tax was a \$31.739 million profit (2013-14: \$43.118 million loss after tax).

Forestry Tasmania had consolidated borrowings (net of cash) at 30 June 2015 of \$25.4 million (2013-14 cash of \$0.072 million), driven by the combined cash outflows from operating and investing activities of \$25.193 million. The 2014-15 result compares to a combined cash inflow of \$2.565 million for 2013-14. The 2013-14 result included \$23 million of deficit funding from the Government and \$6.51 million in forest right sales, neither of which occurred in 2014-15.

GOING CONCERN BASIS FOR THE PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

The Directors has reviewed the appropriateness of continuing to prepare the financial statements on a going concern basis (refer Note 2b of the Financial Statements). The Board has resolved that it is appropriate to prepare the financial statements on the basis that Forestry Tasmania is a going concern.

DIVIDENDS

There have been no dividends declared or paid to the stakeholders since the end of the previous financial year to the date of this Directors' report.

EVENTS SUBSEQUENT TO REPORTING DATE

An Equity contribution by the State of \$30 million was transferred to Forestry Tasmania on 1 July 2015 and will be included in accounts for year end 30 June 2016. The redundancy program was completed on 28 July 2015 (refer notes 6a(iii) and 20 of the financial statements). Thirty six (36) positions were made redundant in July 2015 at a cost of \$2.147 million, this figure was accrued in the 2014/15 financial accounts.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Organisation has paid insurance premiums in respect of Directors' and Officers' liability, this extends to a Director or Officer and employee that take part in the management of the Organisation. The terms of the insurance policy prohibit disclosure of the total amount of the premiums and the nature of the liabilities covered.

Since the end of the previous financial year, the Organisation has executed Deeds of Access, Insurance and Indemnity for all Directors and the following members of management:

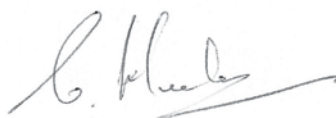
- Executive General Manager Communications
- Executive General Manager Commercial
- Executive General Manager Corporate Services
- General Manager Forest Management
- General Manager Operations

Dated at Hobart, this 30th day of September 2015

Signed in accordance with a resolution of Directors:



Robert Annells PSM
Chairman



Dr Christine Mucha
Director

Statement of Comprehensive Income

Forestry Tasmania

For the year ended 30 June 2015

	Note	Consolidated		Parent Entity	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Revenue					
Trading revenue					
Revenue from forest sales	2(e), 4	103,153	102,314	103,153	102,314
Government funding (excluding deficit funding)	2(e), 5	14,408	20,338	14,408	20,338
Other income	2(e), 5	9,976	10,643	8,484	9,006
Deficit funding	2(e), 5	-	23,000	-	23,000
Finance income	2(s), 7	271	826	271	826
Share of net profit/(loss) after tax of joint ventures accounted for using the equity method	2(i), 18	(51)	52	(51)	52
Biological asset valuation increment /(decrement)	2(k), 15	37,845	-	37,845	-
Movement in obligations for non-commercial zones	2(r)	3,400	-	3,400	-
Total revenue		169,002	157,173	167,510	155,536
Expenses					
Trading expenses					
Expense from operations	6	(148,196)	(154,091)	(148,640)	(152,743)
Finance expense	2(s), 7	(6,964)	(6,595)	(6,682)	(6,156)
Loss on sale of assets	2(m), 8	(98)	(563)	(98)	(563)
Biological asset valuation increment /(decrement)	2(k), 15	-	(23,396)	-	(23,396)
Movement in obligations for non-commercial zones	2(r), 23	-	(600)	-	(600)
Total expenses		(155,258)	(185,245)	(155,420)	(183,458)
Net profit/(loss) before tax		13,744	(28,072)	12,090	(27,922)
Income tax (expense)/benefit on net profit / loss	10a	5,398	(13,276)	4,220	(12,656)
Net profit/(loss) after tax		19,142	(41,348)	16,310	(40,578)
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Increase/(decrease) in the revaluation of land and buildings	2(t), 16	431	879	431	879
Gain/(loss) on remeasurement of defined benefit liability	2(q), 24	17,563	(3,407)	17,563	(3,407)
Income tax on revaluation of land and buildings	10d	(129)	(264)	(129)	(264)
Income tax on remeasurement of defined benefit liability	10d	(5,268)	1,022	(5,268)	1,022
Total items that will not be reclassified to profit or loss		12,597	(1,770)	12,597	(1,770)
Total comprehensive income/(expense) for the year attributable to the equity holders of the parent		31,739	(43,118)	28,907	(42,348)

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

Statement of Financial Position

Forestry Tasmania

As at 30 June 2015

	Note	Consolidated		Parent Entity	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Current Assets					
Cash and cash equivalents	12(a)	7,820	314	7,575	239
Trade and other receivables	13	15,577	15,162	15,184	14,852
Inventories	14	7,055	10,871	7,055	10,871
Biological assets	15	8,999	24,716	8,999	24,716
Assets held for sale	9	435	-	435	-
Total Current Assets		39,886	51,063	39,248	50,678
Non Current Assets					
Trade and other receivables	13	84	84	4,074	13,515
Biological assets	15	209,326	146,627	209,326	146,627
Property, plant and equipment	16	27,231	38,674	19,808	21,088
Intangible assets	17	-	14	-	14
Investments accounted for using the equity method	18	-	486	-	486
Other investments	19	5	575	5	575
Net deferred tax asset	10(c)	0	-	223	1,543
Total Non Current Assets		236,646	186,460	233,436	183,848
Total Assets		276,532	237,523	272,684	234,526
Current Liabilities					
Trade and other payables	20	14,739	14,821	14,654	14,738
Revenue received in advance	21	2,725	6,029	2,725	5,577
Interest bearing liabilities	22	33,223	221	33,200	200
Obligations for non-commercial forest zones	23	190	1,153	190	1,153
Employee benefits	24	9,936	10,168	9,936	10,168
Total Current Liabilities		60,813	32,392	60,705	31,836
Non Current Liabilities					
Trade and other payables	20	2,809	10	3,000	4,004
Revenue received in advance	21	15,306	20,621	15,306	15,306
Interest bearing liabilities	22	3,326	3,347	-	-
Obligations for non-commercial forest zones	23	4,310	6,747	4,310	6,747
Employee benefits	24	126,970	143,147	126,970	143,147
Total Non Current Liabilities		152,721	173,872	149,586	169,204
Total Liabilities		213,534	206,264	210,291	201,040
Net Assets		62,998	31,259	62,393	33,486
Equity					
Contributed equity		246,306	246,306	246,306	246,306
Reserves		7,565	8,246	7,332	8,013
Retained earnings / (Accumulated losses)		(190,873)	(223,293)	(191,245)	(220,833)
Total Equity		62,998	31,259	62,393	33,486

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

Statement of Cash Flows

Forestry Tasmania

For the year ended 30 June 2015

	Note	Consolidated		Parent Entity	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Cash flows from operating activities					
Inflows:					
Cash receipts from customers		124,689	135,817	123,625	129,768
Government funding (excluding deficit funding)	2(e)	12,826	12,751	11,674	12,751
Deficit funding	2(e)	-	23,000	-	23,000
Interest received	7	96	553	96	553
Outflows:					
Payments to suppliers and employees		(153,799)	(158,115)	(152,054)	(154,972)
Borrowing costs paid	7	(707)	(180)	(707)	(180)
Net cash provided by / (used in) operating activities	12(b)	(16,895)	13,826	(17,366)	10,920
Cash flows from investing activities					
Inflows:					
Proceeds from investments (dividend)		80	50	80	50
Proceeds from sale of property, plant and equipment		275	29	275	29
Government funding (excluding deficit funding)		1,152	3,749	1,152	3,749
Outflows:					
Payments to suppliers and employees for biological assets		(9,452)	(4,521)	(9,452)	(4,521)
Payments for property, plant and equipment and other assets		(353)	(10,568)	(353)	(10,568)
Net cash provided by / (used in) investing activities		(8,298)	(11,261)	(8,298)	(11,261)
Cash flows from financing activities					
Inflows:					
Equity contribution		-	-	-	-
Outflows:					
Finance lease payments		(301)	(2,936)	-	-
(Repayment of) / proceeds from borrowings		33,000	(800)	33,000	(800)
Net cash provided by / (used in) financing activities		32,699	(3,736)	33,000	(800)
Net increase/(decrease) in cash and cash equivalents held		7,506	(1,171)	7,336	(1,141)
Cash and cash equivalents at the beginning of the year		314	1,485	239	1,380
Cash and cash equivalents at the end of the year	12(a)	7,820	314	7,575	239

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

Statement of Changes In Equity

Forestry Tasmania

For the year ended 30 June 2015

Consolidated	Contributed Equity \$'000	General Revaluation Reserve \$'000	Earnings / (Accumulated losses) \$'000	Total Equity \$'000
Balance at 30 June 2013	244,457	7,937	(179,866)	72,528
Total comprehensive income for the year				
Profit or loss	-	-	(41,348)	(41,348)
<i>Other comprehensive income</i>				-
Increase/(decrease) in the revaluation of land and buildings	-	615	-	615
Remeasurement defined benefit superannuation liability	-	-	(2,385)	(2,385)
Transfer to retained earnings		(306)	306	-
<i>Total other comprehensive income</i>	-	309	(2,079)	(1,770)
Total comprehensive income for the year	-	309	(43,427)	(43,118)
Transactions with owners, recorded directly in equity				
<i>Contributions by and distributions to owners</i>				
Equity contribution	2,641	-	-	2,641
Tax effect on equity contribution	(792)	-	-	(792)
Dividends to equity holders	-	-	-	-
<i>Total contributions by and distributions to owners</i>	1,849	-	-	1,849
Total transactions with owners	1,849	-	-	1,849
Balance at 30 June 2014	246,306	8,246	(223,293)	31,259
Balance at 30 June 2014	246,306	8,246	(223,293)	31,259
Total comprehensive income for the year				
Profit or (loss)	-	-	19,142	19,142
<i>Other comprehensive income</i>				-
Increase/(decrease) in the revaluation of land and buildings	-	302	-	302
Transfer of revaluation increments on disposal of asset		(983)	983	-
Remeasurement defined benefit superannuation liability	-	-	12,295	12,295
Transfer to retained earnings		-	-	-
<i>Total other comprehensive income</i>	-	(681)	13,278	12,597
Total comprehensive income for the year	-	(681)	32,420	31,739
Transactions with owners, recorded directly in equity				
<i>Contributions by and distributions to owners</i>				
Equity contribution	-	-	-	-
Tax effect on equity contribution	-	-	-	-
Dividends to equity holders	-	-	-	-
<i>Total contributions by and distributions to owners</i>	-	-	-	-
Total transactions with owners	-	-	-	-
Balance at 30 June 2015	246,306	7,565	(190,873)	62,998

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

Statements of Changes In Equity

Forestry Tasmania

For the year ended 30 June 2015

Parent Entity	Contributed	Property & General	Retained	Total Equity
	Equity \$'000	Revaluation Reserve \$'000	Earnings / (Accumulated losses) \$'000	
Balance at 30 June 2013	244,457	7,704	(178,176)	73,985
Total comprehensive income for the year				
Profit or loss	-	-	(40,578)	(40,578)
<i>Other comprehensive income</i>				
Increase/(decrease) in the revaluation of land and buildings	-	615	-	615
Remeasurement defined benefit superannuation liability	-	-	(2,385)	(2,385)
Transfer to retained earnings	-	(306)	306	-
<i>Total other comprehensive income</i>	-	309	(2,079)	(1,770)
Total comprehensive income for the year	-	309	(42,657)	(42,348)
Transactions with owners, recorded directly in equity				
<i>Contributions by and distributions to owners</i>				
Equity contribution	2,641	-	-	2,641
Tax effect on equity contribution	(792)	-	-	(792)
Dividends to equity holders	-	-	-	-
<i>Total contributions by and distributions to owners</i>	1,849	-	-	1,849
Total transactions with owners	1,849	-	-	1,849
Balance at 30 June 2014	246,306	8,013	(220,833)	33,486
Balance at 30 June 2014	246,306	8,013	(220,833)	33,486
Total comprehensive income for the year				
Profit or (loss)	-	-	16,310	16,310
<i>Other comprehensive income</i>				
Increase/(decrease) in the revaluation of land and buildings	-	302	-	302
Transfer of revaluation increments on disposal of asset	-	(983)	983	-
Remeasurement defined benefit superannuation liability	-	-	12,295	12,295
Transfer to retained earnings	-	-	-	-
<i>Total other comprehensive income</i>	-	(681)	13,278	12,597
Total comprehensive income for the year	-	(681)	29,588	28,907
Transactions with owners, recorded directly in equity				
<i>Contributions by and distributions to owners</i>				
Equity contribution	-	-	-	-
Tax effect on equity contribution	-	-	-	-
Dividends to equity holders	-	-	-	-
<i>Total contributions by and distributions to owners</i>	-	-	-	-
Total transactions with owners	-	-	-	-
Balance at 30 June 2015	246,306	7,332	(191,245)	62,393

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

Notes to the Financial Report

Forestry Tasmania

For the year ended 30 June 2015

1 Details of reporting entity

The consolidated financial statements and notes thereto relate to Forestry Tasmania (the "Organisation" or "Parent Entity"), which is a state-owned government business enterprise, the entities it controlled and its interest in joint ventures (together referred to as the "Group"). The Group is primarily involved in the sustainable management of the Tasmanian state-owned forest and the delivery of non-commercial activities. The Organisation's Head Office is located at 79 Melville Street, Hobart, Tasmania; however, it conducts its operations across Tasmania.

2 Statement of significant accounting policies

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

(a) 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) and the *Government Business Enterprises Act 1995* (GBE Act) and applicable Treasurer's Instructions. The consolidated financial report of the Group and the financial report of the Organisation comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements of Forestry Tasmania for the year ended 30 June 2015 were authorised for issue by the Board of Directors on 11 August 2015.

(b) Basis of preparation

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

- Biological assets are measured at fair value less costs to sell;
- Investments disclosed in note 2(i);
- Forest land, land under buildings and buildings are all measured at fair value;
- Obligations for non-commercial zones are disclosed in note 2(r);
- Superannuation liability is based on the projected unit credit method (note 2r); and
- Assets held for sale (note 9)

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

Going concern

The Directors have reviewed the appropriateness of continuing to prepare the financial statements on the basis that Forestry Tasmania is a going concern.

The Directors review considered the following points:

- An Equity contribution by the State of \$30 million was transferred to Forestry Tasmania on 1 July 2015. This transfer left Forestry Tasmania with cash (net of borrowings) of \$2.922 million on 1 July 2015;
- Available borrowings;
- Forestry Tasmania is expecting to have decreasing operating deficits and incur transition costs over the next two years;
- Cabinet has made an in principle decision for Forestry Tasmania to sell an appropriate proportion of the hardwood plantation estate to fund the operating deficit and transition costs; and
- The Directors are satisfied that the hardwood plantation resource can provide sufficient funds to meet these costs over the transition period.

On this basis the Board resolved that it is appropriate to prepare the financial statements on the basis that Forestry Tasmania is a going concern.

(c) Significant accounting judgements, estimates and assumptions

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

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

Fair value measurement

A number of the Group's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. The Board's Finance Audit and Risk Management Committee has oversight of all fair value measurements, including Level 3 fair values.

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

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

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

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

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

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

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

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

(d) Basis of consolidation

i) Subsidiaries

Subsidiaries are entities controlled by Forestry Tasmania. Control exists when Forestry Tasmania has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by Forestry Tasmania.

In the financial statements of the Organisation, investments in subsidiaries are carried at cost, subject to impairment assessment. Acquisitions are accounted for using the acquisition method. The cost is measured as the aggregate of the fair values at the date of acquisition with movement in any reassessment of the fair values taken immediately to the profit or loss. On an annual basis the movement in the fair value of the net assets is adjusted in the parent entity's financial statements.

ii) Joint ventures

Joint ventures are those entities in which Forestry Tasmania has joint control over the financial and operating policies. Jointly controlled entities, operations or assets are accounted for by using the equity method.

- Equity Method - The investment in the joint venture is initially recognised at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed.

(e) Revenue recognition

Sales revenue

Sale of goods

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

Services

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

Proponent infrastructure

fees

Revenue from site fees from proponents on the Huon and Smithton wood centre sites relates to the Organisation's investment in Newwood and is recognised over the period of the initial lease term of 20 years unless it is refundable.

Tasmanian Community Forest Agreement Income

The revenue from the Tasmanian Community Forest Agreement (TCFA) is recognised as income when the expenses have been incurred in relation to the specific projects for which funds have been received. Any remaining funds are held as revenue received in advance until expenditures have been incurred. (Refer note 21). Ongoing capital commitments under the TCFA funding are disclosed in note 25c.

Government grants

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

Reimbursement for non-commercial activity costs

Government funding provided to enable Forestry Tasmania to undertake non commercial functions. These functions include road maintenance, fire management and forest management activities.

Deficit funding

In 2013-14 deficit funding provided certainty to Forestry Tasmania during the transition and implementation of the Tasmanian Forest Agreement (TFA). No deficit funding was provided in 2014-15.

Forestry rights

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

Forest valuation movement

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

(f) 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.

(g) Dividend policy

The objective is for Forestry Tasmania to pay dividends in accordance with its statutory requirements as determined under Part II, Division 2 of the *Government Business Enterprises Act (1995)* [refer note 11].

(h) Leased assets

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

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

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

(i) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. The Organisation or the Group does not hold any financial instruments in the categories of held-to-maturity investments.

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

Subsequent to initial recognition non-derivative financial instruments are measured as follows:

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

Trade and other receivables – are stated at their amortised cost less impairment losses [refer note 2(o)(ii)]. Trade receivables with a short duration are not discounted. Collection terms are generally between 30-90 days for trade receivables.

Deferred income is recognised as follows:

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

Infrastructure fees - Site infrastructure fees are payable by lessees at the Huon and Smithton wood centre sites. Fees are paid prior to construction of their specific business on site and as agreed within the terms of their contractual arrangements. Revenue from site fees at the Huon and Smithton wood centre sites is recognised over the period of the initial lease term of 20 years unless it is refundable.

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

Revenue received in advance - Funds received in advance under the TCFA and TFA are accounted for as revenue received in advance and will be recognised in future years. The TCFA is an agreement signed by the State and Commonwealth to supplement the provisions of the Regional Forest Agreement (RFA). All TCFA funding has been received by Forestry Tasmania and will be used for the improvement of existing hardwood plantations to compensate for the loss of sustainable forest due to the creation of additional conservation reserves.

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.

Investments in subsidiaries - Subsidiaries are accounted for at cost less impairment losses in accordance with AASB 127.

(ii) Derivative financial instruments

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

(j) Inventories (excluding forest assets)

Inventories are measured at the lower of cost and net realisable value. Net realisable value is determined on the basis of each inventory line's normal selling pattern. Costs of inventory include those items 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.

(k) Biological assets (including forest, roads and land)

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

Forest estate valuation methodology

1) Forest

The forest is measured at fair value less costs to sell, with any changes therein recognised in the Statement of Comprehensive Income under 'biological asset valuation increment/(decrement)'.

Forestry Tasmania's rights to plantations (at harvest date) through Tree Farm Agreements are also valued using the same methodology noted above.

2) Roads

Roads are measured at fair value less accumulated depreciation and accumulated impairment losses recognised after the date of the revaluation.

Depreciation and amortisation

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 is as follows:

- * Roads and road structures - 2 to 20 years

3) Land

Forestry Tasmania does not hold freehold title over the majority of land but is deemed to control the land, as under the Forest Management Act 2013, Forestry Tasmania has been given exclusive management rights over Permanent Timber Production Zone land. Special Timber Zone land does not provide an economic return to Forestry Tasmania ie costs exceed revenue, therefore these areas have been recognised as a liability. (See note 2(r))

Depreciation and amortisation

Land is not depreciated.

Forestry Tasmania engaged James W Sewall Company (Sewall) to establish a valuation for its entire forest estate, inclusive of land, roads and obligations. Sewall is a US-based company with international (including Australasian) experience in valuing forest estates. Forestry Tasmania has used Sewall for this purpose since 2010.

Forestry Tasmania is responsible for the Permanent Timber Production Zone and the valuation reflects the quantities now available for harvest under the *Forest Management Act 2013*.

The methodology applied to estimate the enterprise value and obligations for the biological asset (forest), land and roads 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 estate 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 crop as required under AASB 141 'Agriculture'. The valuation approach used is equivalent to fair value less costs to sell as required by AASB 141 to value the biological assets.

To arrive at a value for the biological asset (forest), the cost of roads less depreciation and impairment are deducted from the full value derived from the income capitalisation value.

The valuation methodology divides the current forest under management into the following two areas:

- General forest zone: comprises both native forest and plantation forest zones (couped and uncouped) that are available for production as well as informal reserves.
- Special timbers zone: comprises the forest that has a unique forest management plan and non-profit sustained yield objective. [refer note 2(r)]. Special timber zone comprises the non-commercial zone.

Due to the different uses and restrictions placed on each of these areas, separate valuations utilising the income capitalisation approach are derived. Further, given that the valuations for the special timbers zone (and formal forest reserves in prior years) result in negative valuations, these have been separately recognised as obligation liabilities in the Statement of Financial Position. Refer notes 2(r) and 23.

Key assumptions used in the income capitalisation approach

- Forest management and silviculture practices: Assumes the continuation of existing practices with regard to forest management and silviculture.

- Discount rates:

This discount rate is a market-based rate. A market based derivation is critical to providing an accurate appraisal, particularly for long-term forestry investments where the value is particularly sensitive to the timing of cash flows. Five approaches were considered in deriving the discount rate:

- 1 - survey market participants
- 2 - derive implied discount rate (internal rate of return) from transaction evidence
- 3 - calculate a weighted average cost of capital
- 4 - capital asset pricing model and
- 5 - corporate bond analogies

- Forest yields/volumes: The native forests values are based on The expected harvest volumes of peeler and veneer logs, sawlogs, and pulpwood. Volume assessments for native forests are based on volumes available under the *Forest Management Act 2013* detailed above.

- Future rotations: Only the current standing timber crop is valued in accordance with AASB 141. That is, no recognition is made of the costs and returns related to future tree crops, or of the harvest and delivery of logs.

- Costs: The costs included in the discounted cash flow model are directly attributable to the management of the forest estate and include tending costs (pruning, waste thinning, fertilisation, weed control, pest control), fire protection, rates, administration, general forest management, overhead, research and development and tourism. The costs directly attributable are allocated to the forest zones. Generally, all tending costs are allocated 100% to general forest zone, while others are allocated based on the proportional hectareage of each forest zone.

Residual stumpage rates (sales price less harvest and transport costs) are used to calculate timber revenues. Further, an imputed land rental charge is not included on the basis that the land value recognised in the Statement of Financial Position is deducted from the valuation and recorded separately. It has been assumed that there will be no real increase in costs.

Sewall has reviewed current and historical prices and pricing trends over the full range of products. Assumptions have been made about long-term prices and the time taken to achieve these prices. It has been assumed that all products attain long-term trend prices within five years and thereafter there are no real price increases.

Costs were also reviewed as detailed above.

- Prices: Stumpage rates are used to determine the revenues. The prices are based on current and historical prices and pricing trends over the full range of products. Assumptions have been made about long-term prices and the time taken to achieve these prices.

Sensitivity to key assumptions used in the income capitalisation approach

The forest valuation is sensitive to changes in price, discount rate and cost and the following is noted in regard to these three key areas:

(I) Forest estate valuation - interest in joint ventures

Forestry Tasmania is involved in softwood and hardwood plantation joint ventures.

The joint venture arrangements exist in two forms. One form is for plantations established on privately owned land with Forestry Tasmania providing the management expertise and financing the majority of the other inputs. The second is where plantations are established on Permanent Timber Production Zone land with Forestry Tasmania providing varying amounts of management and other inputs as set out in the respective agreements. The agreements provide for the eventual harvest to be shared between the joint venturers in proportion to the discounted value of inputs calculated over the life of the ventures.

In valuing joint venture plantations the same method has been used as that in place for wholly owned forests. Forestry Tasmania brings to account its share of the joint venture.

(m) Property, plant and equipment assets

Recognition and measurement

Land and buildings and leasehold improvements are measured at fair value less accumulated depreciation on buildings 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. The valuations completed for specifically identified land and buildings as at 30 June 2012 were undertaken by the Government Valuation Services. 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 and any excess is recognised as an expense.

Plant and equipment, site infrastructure works and pre-development costs are stated at cost less accumulated depreciation and accumulated impairment losses. Site infrastructure works and pre-development cost assets are associated with Forestry Tasmania's subsidiary company Newood Holdings Pty Ltd. The assets relate to the infrastructure and development costs associated with the Huon and Smithton wood centre sites.

A change in estimate has been applied in 2014-15 in determining the impairment value for Newood assets. The change includes moving from a ten year discounted cash flow model to a five year model and applying a discount rate greater than the bond rate plus a margin as used previously. The change from a ten year model to a five year model is immaterial. The discount rate applied in 2014/15 is 8.5% compared to the 2013/14 rate of 5.67%.

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.

Subsequent costs

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 Group 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.

Derecognition and disposal

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.

Depreciation and amortisation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Depreciation of plant and vehicles has been recognised in the profit or loss on a diminishing value basis. Assets under finance leases are amortised over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group 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
- * Transmission lines - 25 years
- * Plant and equipment - 2 to 15 years
- * Pre-development costs - 20 years, and
- * Site infrastructure works - 20 years

Capitalisation threshold

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.

(n) Intangible assets

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed to be finite or indefinite. Forestry Tasmania's intangible asset relates to the capitalised costs of software development for software used within the organisation for operational and strategic use.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. Amortisation methods and useful lives are reviewed at each reporting date.

Intangible assets related to software development are amortised over 5 years (2014: 5 years). The remaining lives of intangible assets range between 1-5 years.

Research and development expenditure is recognised in the statement of comprehensive income unless it is capable of recognition as an intangible asset. Research and development expenditure that has been charged to the comprehensive income statement during the year totalled \$1.871m (2014: \$1.986m).

(o) Impairment of assets*i) Non-financial assets*

The carrying amounts of the Group'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.

ii) Financial assets

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

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

(p) Income tax equivalent

Income tax expense/(benefit) comprises current and deferred tax. Income tax expense/(benefit) is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. The charge for current income tax expense is based on the profit/(loss) for the year adjusted for any non-assessable or disallowed 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 substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases 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.

(q) Employee benefits

i) Defined contribution

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.

ii) Provision for unfunded superannuation liability - defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group'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 Forestry Tasmania'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 Group'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 Group, 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 Group 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 deep market does exist. On this basis the Defined Benefit Obligation at 30 June 2015 is based on a corporate bond yield of 4.8% (refer note 24). The effect of using a government bond rate of 3.7% would increase the liability by \$25.082 million.

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

The defined benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets.

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

iii) Provision for 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.

iv) Provision for 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 Forestry Tasmania'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.

v) Provision for workers compensation

Forestry Tasmania 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 2015.

The provision also includes an allowance for incurred but unreported claims at 30 June 2015.

vi) Provision for sick leave

No liability has been recognised in the accounts for sick leave as Forestry Tasmania operates a "no debit no credit" system for all employees.

(r) Obligations for non-commercial zones

Forestry Tasmania undertakes a number of non-commercial activities in non-production forest zones which have significant community benefit. The valuation methodology applied to the forest estate results in the special timber zones returning a negative asset valuation (in prior years this included formal forest reserves which have since been transferred to the Parks and Wildlife Service). This is recognised as the 'non-commercial zones'. The value is primarily negative on the basis that the costs associated with managing these areas exceeds the revenue. Costs include fire protection, pest control, forest and land management, tourism, development and maintenance of public road access and conservation of natural and cultural values.

Forestry Tasmania has recognised future costs in relation to the non-commercial forest zones a liability in the Statement of Financial Position. This obligation is split between current and non-current with the current portion representing the present value of the cash flows expected in the next twelve months.

The obligation has been calculated using a discounted cash flow model incorporating the same assumptions as the forest estate valuation noted in note 2(k) above and calculated by independent valuer, Sewall. The quantification of attributable costs was based on actual direct costs plus an allocation of relevant direct and indirect costs principally on a percentage of non-commercial land to total land.

(s) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income and gains on hedging instruments that are recognised in profit or loss. Interest 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 Group's right to receive payment is established.

Finance expenses comprises interest expense on borrowings, impairment losses recognised on financial assets, interest cost associated with the superannuation liability and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method, unless they relate to a qualifying asset, in which case they are capitalised as noted in note 2(m).

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.

(t) Reserves

Property revaluation reserve - Forestry Tasmania'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.

(u) Equity

In the 2013-14 reporting period, the value of employees obligations and assets transferred from Forestry Tasmania to Department Primary Industry, Parks, Wildlife and Environment were deemed to be an equity contribution by the owners. Forty two employees were transferred and their related costs for defined benefits \$2.606 million and leave provisions \$0.694 million. In addition, assets valued at \$0.659 million were also transferred. The total net of tax transfer totalled \$1.849 million.

3 New standards not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact Forestry Tasmania in the period of initial application. Forestry Tasmania intends to adopt these standards in the first financial reporting period to which each standard is first applicable to. The extent of impact, if any, that the initial implementation of the Standards will have on the financial statements has yet to be determined.

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

Amendments to Australian Accounting Standards (AASB 2014-4). These amendments relate to: AASB116 Property, Plant and Equipment and AASB 138 Intangible Assets. The amendments provide additional guidance on how depreciation and amortisation should be calculated. The amendments, which become mandatory for Forestry Tasmania's 30 June 2017 financial statements, are not expected to have material impact.

AASB 15 'Revenue from contracts with customers': This standard replaces AASB 118 Revenue. The standard requires revenue to be recognised in line with contractual agreements. The standard would become mandatory for Forestry Tasmania's 30 June 2018 financial statements. Forestry Tasmania's current practice goes some way in meeting the new requirements under AASB 15, however the introduction of this standard will see a significant increase in disclosure requirements. The impact of the new standard is being reviewed.

	Consolidated		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
4 Revenue from forest sales				
Domestic and export revenue	103,153	95,804	103,153	95,804
Proceeds from Softwood plantation forest right sale	-	6,510	-	6,510
	103,153	102,314	103,153	102,314
5 Other income				
Forest management services income	861	1,240	861	1,240
Grants	399	342	98	40
Nursery and seed sales	280	363	280	363
Tourism revenue	1,996	1,860	1,996	1,860
Proponent infrastructure fees	150	150	-	-
Forest lease	701	517	701	517
Consulting income	876	916	876	916
Reversal of impairment of receivables	1,000	-	1,000	-
Other revenue	3,713	5,255	2,672	4,070
	9,976	10,643	8,484	9,006

	Consolidated		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Government funding of trading revenue				
Tasmanian Forest Agreement/World Heritage Area implementation funding representing costs incurred to date	6,005	14,451	6,005	14,451
Community Service Obligations	2,878	-	2,878	-
Fuel reduction	2,000	-	2,000	-
Fire preparedness	2,000	-	2,000	-
Fire fighting reimbursement of above average fire fighting costs	-	2,080	-	2,080
Tasmanian Community Forest Agreement - intensive forest management	1,525	3,201	1,525	3,201
Tasmanian Community Forest Agreement - operating activities	-	606	-	606
Sub-total	14,408	20,338	14,408	20,338
Deficit funding	-	23,000	-	23,000
Total Government funding	14,408	43,338	14,408	43,338

The fire fighting reimbursement received in (5) above, is the difference between the total variable costs incurred in the year fighting bushfires and the ten year average cost incurred on fighting bushfires. In 2014 Forestry Tasmania incurred \$2.988 million in fire fighting costs, the ten year average cost of fire fighting was \$0.908 million, therefore the reimbursement received for 2014 was \$2.080 million.

The Tasmanian Forest Agreement/World Heritage Area implementation funding consists of \$1.785 million for the cost gap between cable and conventional harvesting, \$1.867 million for cable transport assistance and \$2 million for plantation management. The State has provided \$2 million to cover costs incurred in reducing fire fuel and \$2 million toward the cost of ensuring Forestry Tasmania maintains a high level of fire fighting capacity in 2015. The 2013-14 value includes acquittals for southern residue transport assistance, this funding source was not provided in 2014-15.

		Consolidated		Parent Entity	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
6	Expenses from operations				
	6(i) Payments to contractors and other sales costs				
	Contractor expenses	80,031	82,106	80,031	82,106
	Other sales costs	9,579	13,026	9,577	13,026
	Freight	3,072	3,283	3,072	3,283
	Vehicle lease and associated costs	2,698	3,521	2,698	3,521
	Property rental	2,346	2,499	2,346	2,499
	Professional services	1,769	1,523	1,745	1,505
	Consultancies	207	293	207	293
	Local government rates	1,860	2,163	1,857	2,136
	Property management	1,612	1,484	1,373	1,321
	Equipment purchases and rentals	971	826	971	826
	Office expenses	851	2,021	851	2,021
	Information technology expense	628	685	627	685
	Guarantee fees	292	77	292	77
	Travel and accommodation	278	492	278	492
	Operating lease rentals	350	631	350	631
	Building revaluation decrement	-	1	-	1
	Impairment of receivables	-	102	-	102
	Impairment of non-current asset	3,752	-	-	-
	Impairment of intercompany receivable	-	-	5,578	-
	Impairment of investment asset	570	-	570	-
	Other	2,908	2,444	2,890	2,399
		113,774	117,177	115,313	116,924
	6(ii) Depreciation and amortisation expense				
	Plant and equipment	16	617	755	617
	Plant and equipment under finance lease	16	925	925	-
	Site infrastructure works	16	170	170	-
	Roads and road structures	16	6,168	6,343	6,168
	Buildings and leasehold improvements	16	409	437	409
	Intangibles	17	14	24	14
			8,303	8,654	7,208
	6a(iii) Employee benefits expense				
	Salaries and wages		18,463	23,809	18,463
	Redundancy ¹		3,335	-	3,335
	Other associated expenses		334	378	334
	Contribution to accumulation superannuation funds		1,969	1,858	1,969
	Employee service cost for defined benefit scheme	24	2,018	2,215	2,215
			26,119	28,260	26,119
			148,196	154,091	148,640

¹ The redundancy program was initiated on 29th April 2015. A total of 59 positions were made redundant during the latter part of 2014/15 and in early July 2015/16. The total redundancy cost is \$3.335 million. Twenty three (23) positions were made redundant in 2014/15 at a total cost of \$1.188 million. The remaining 36 positions were made redundant in July 2015/16 at a cost of \$2.147 million, this figure was accrued in the 2014/15 financial accounts. (refer note 20)

	Consolidated		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
7 Finance income and				
Recognised in profit or loss:				
Interest income	96	553	96	553
Foreign exchange gains	175	273	175	273
Total Finance income	271	826	271	826
Borrowing costs	(707)	(180)	(707)	(180)
Finance charge related to finance lease	(282)	(439)	-	-
Employee benefit superannuation interest costs	(5,975)	(5,976)	(5,975)	(5,976)
Total Finance expense	(6,964)	(6,595)	(6,682)	(6,156)
8 (Gain)/loss on sale of assets	98	563	98	563
	98	563	98	563
<i>Reconciliation of sale of assets</i>				
Asset cost	3,274	3,245	3,274	3,245
Written down value	373	591	373	591
Proceeds from sale	(275)	(28)	(275)	(28)
(Gain)/loss on sale of assets	98	563	98	563
9 Assets held for sale				
Hollybank Treetops Adventure Pty Ltd	435	-	435	-
10 Taxation				
a) Current tax (expense)/benefit				
Adjustments for prior periods	-	2	-	-
Increase/(decrease) in deferred tax asset	11,230	(19,990)	11,681	(19,212)
(Increase)/decrease in deferred tax liability	(11,230)	6,678	(12,858)	6,522
Movement posted direct to other comprehensive income	5,398	(1,022)	5,398	(1,022)
Movement posted direct to equity reserve	-	1,056	-	1,056
	5,398	(13,276)	4,220	(12,656)

10 Tax expense to pre tax net loss is reconciled below. The most significant component of tax expense in 2013 is the derecognition of cost base on assets as a result of implementation of the TFA, predominantly roads and fixed assets which are no longer the responsibility of Forestry Tasmania.

	Consolidated		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
b) Reconciliation between tax (expense)/benefit and pre tax net profit/(loss)				
Profit / (loss) before tax	13,744	(28,072)	12,090	(27,922)
Income tax (expense) benefit using the domestic tax rate of 30% (2014:30%)	(4,123)	8,422	(3,627)	8,377
Expenditure not allowable for income tax purposes	-	(5)	-	(5)
Equity accounting loss for Newood	-	-	-	-
Derecognition of net deferred tax asset of the Tax Consolidated Group	-	(21,108)	-	(21,108)
Recognition of net deferred tax asset of the Tax Consolidated Group	9,522	-	9,522	-
Derecognition of capital assets of Newood	-	(667)	-	-
Research and development	-	80	-	80
Less prior year under / over provision	-	2	-	-
Impairment of intercompany receivable	-	-	(1,675)	-
Add non-temporary movement in superannuation investments	-	-	-	-
Income tax (expense)/benefit on pre tax net profit	5,399	(13,276)	4,220	(12,656)
c) Deferred tax balances				
<u>Assets</u>				
Non current	48,302	37,072	48,301	36,763
<u>Liabilities</u>				
Non current	48,302	37,072	48,078	35,220
Net tax asset/(liability)	0	-	223	1,543

10 d) Reconciliation of deferred tax balances (\$000)

	Consolidated - 2015					
	Opening balance \$'000	Under/Over \$'000	Charged to Statement of \$'000	Transferred from \$'000	Charged to equity \$'000	Closing balance \$'000
Deferred tax assets						
Employee benefits	45,993	-	346	-	(5,269)	41,070
Revenue received in advance	1,225	-	(1,225)	-	-	0
Receivables and other investments	1,582	-	(759)	-	-	823
Other provisions	202	-	86	-	-	288
Obligations for non-commercial zones	2,370	-	(1,020)	-	-	1,350
Revenue losses	6,807	-	9,549	-	-	16,356
Derecognition of net deferred tax assets	(21,108)	-	9,522	-	-	(11,586)
Transfer - deferred tax asset	(37,072)	-	(11,230)	-	-	(48,302)
Total	0	-	5,269	-	(5,269)	0
Deferred tax liabilities						
Biological assets	(25,401)	-	(17,964)	-	-	(43,365)
Inventories	(1,820)	-	145	-	-	(1,675)
Property, plant, equipment and land	(9,825)	-	6,765	-	(129)	(3,189)
Other	(26)	-	(47)	-	-	(73)
Transfer - deferred tax asset	37,072	-	11,230	-	-	48,302
Total	-	-	129	-	(129)	-
Net deferred tax assets/(liabilities)	0	-	5,398	-	(5,398)	0

	Consolidated - 2014					
	Opening balance \$'000	Under/Over \$'000	Charged to Statement of \$'000	Transferred from \$'000	Charged to equity \$'000	Closing balance \$'000
Deferred tax assets						
Employee benefits	44,587	-	2,396	-	(990)	45,993
Revenue received in advance	1,228	-	(3)	-	-	1,225
Receivables and other investments	2,035	-	(453)	-	-	1,582
Other provisions	465	-	(461)	-	198	202
Obligations for non-commercial zones	2,190	-	180	-	-	2,370
Revenue losses	6,557	-	250	-	-	6,807
Derecognition of Net deferred tax assets	-	-	(21,108)	-	-	(21,108)
Transfer - deferred tax asset	(43,750)	-	6,678	-	-	(37,072)
Total	13,313	-	(12,521)	-	(792)	0
Deferred tax liabilities						
Biological assets	(31,064)	-	5,663	-	-	(25,401)
Inventories	(1,935)	-	115	-	-	(1,820)
Property, plant, equipment and land	(10,726)	-	1,165	-	(264)	(9,825)
Other	(25)	-	(1)	-	-	(26)
Transfer - deferred tax asset	43,750	-	(6,678)	-	-	37,072
Total	-	-	264	-	(264)	-
Net deferred tax assets/(liabilities)	13,313	-	(12,257)	-	(1,056)	0

	Opening balance \$'000	Under/Over \$'000	Parent Entity - 2015		Charged to equity \$'000	Closing balance \$'000
			Charged to Statement of \$'000	Transferred from \$'000		
Deferred tax assets						
Employee benefits	45,983	-	356	-	(5,269)	41,071
Revenue received in advance	64	-	(64)	-	-	(1)
Receivables and other investments	1,605	-	(783)	-	-	822
Other provisions	1,042	-	(754)	-	-	288
Obligations for non-commercial zones	2,370	-	(1,020)	-	-	1,350
Investments in wholly owned subsidiaries	250	-	-	-	-	250
Revenue losses	6,557	-	9,691	(142)	-	16,106
Derecognition of Net deferred tax assets	(21,108)	-	9,522	-	-	(11,586)
Transfer - deferred tax asset	(35,220)	-	(12,858)	-	-	(48,078)
Total	1,543	-	4,091	(142)	(5,269)	223
Deferred tax liabilities						
Biological assets	(25,401)	-	(17,964)	-	-	(43,365)
Inventories	(1,820)	-	145	-	-	(1,675)
Property, plant, equipment and land	(8,000)	-	5,090	-	(129)	(3,039)
Transfer - deferred tax asset	35,220	-	12,858	-	-	48,078
Total	-	-	129	-	(129)	(0)
Net deferred tax assets/(liabilities)	1,543	-	4,220	(142)	(5,398)	223

	Opening balance \$'000	Under/Over \$'000	Parent Entity - 2014		Charged to equity \$'000	Closing balance \$'000
			Charged to Comprehensi \$'000	Transferred from \$'000		
Deferred tax assets						
Employee benefits	44,587	-	2,386	-	(990)	45,983
Revenue received in advance	58	-	6	-	-	64
Receivables and other investments	2,053	-	(448)	-	-	1,605
Other provisions	469	-	375	-	198	1,042
Obligations for non-commercial zones	2,190	-	180	-	-	2,370
Investments in wholly owned subsidiaries	-	-	189	61	-	250
Revenue losses	6,557	-	-	-	-	6,557
Derecognition of Net deferred tax assets	-	-	(21,108)	-	-	(21,108)
Transfer - deferred tax asset	(41,742)	-	6,522	-	-	(35,220)
Total	14,172	-	(11,898)	61	(792)	1,543
Deferred tax liabilities						
Biological assets	(31,064)	-	5,663	-	-	(25,401)
Inventories	(1,935)	-	115	-	-	(1,820)
Property, plant, equipment and land	(8,744)	-	1,008	-	(264)	(8,000)
Transfer - deferred tax asset	41,742	-	(6,522)	-	-	35,220
Total	-	-	264	-	(264)	(0)
Net deferred tax assets/(liabilities)	14,172	-	(11,634)	61	(1,056)	1,543

11 Dividends

No dividend was paid during the 2014/15 financial year in relation to 2013/14 results.

Forestry Tasmania does not propose a dividend in respect to the current financial year. This proposal is subject to approval by the Treasurer and the Minister under Section 83(1) of the *Government Business Enterprises Act 1995*.

12 Cash and cash equivalents	Consolidated		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
a) Reconciliation of cash and cash equivalents				
For the purposes of the Cash flow statements, cash and cash equivalents comprise the following as at 30 June:				
Cash at bank	7,783	294	7,538	219
Floats and advances	37	20	37	20
	7,820	314	7,575	239
b) Reconciliation of comprehensive income/(expense) after tax to net cash flows from operations				
Net profit/(loss) after tax	19,142	(41,348)	16,310	(40,578)
Add/(less) items classified as investing/financing activities:				
(Profit)/loss on disposal of non current assets	98	563	98	563
Interest on Finance lease	282	439	-	-
Add/(less) non-cash items:				
Depreciation and amortisation	8,303	8,654	7,208	7,559
Income tax	(5,398)	13,276	(4,220)	12,656
Asset write-off	570	-	570	-
Biological asset valuation increment /(decrement)	(37,845)	23,396	(37,845)	23,396
Movement in obligations for non-commercial zones	(3,400)	600	(3,400)	600
Reverse provision for receivable	(1,000)	-	(1,000)	-
Impairment of non-current asset	3,752	-	-	-
Impairment intercompany receivable	-	1	5,578	1
Share of joint venture entities net (profit)/loss	51	(52)	51	(52)
Release of revenue received in advance (Tasmanian Community Forest Agreement - capital activities)	(1,525)	(3,201)	(1,525)	(3,201)
Changes in assets and liabilities:				
(Increase)/decrease in current receivables	(414)	8,882	(331)	6,649
(Increase)/decrease in non current receivables	-	-	4,005	(2,538)
(Increase)/decrease in inventories	3,816	543	3,816	543
(Increase)/decrease in other current assets	(1)	(39)	(1)	(39)
Increase/(decrease) in current liabilities	(4,712)	(450)	(8,066)	2,348
Increase/(decrease) in non current liabilities	1,386	2,562	1,386	3,013
Net cash provided by operating activities	(16,895)	13,826	(17,366)	10,920
13 Trade and other receivables				
Current				
Trade and other receivables	16,303	19,901	15,986	19,665
Less provision for impairment	(2,085)	(5,350)	(2,085)	(5,350)
Accrued revenue	832	85	756	11
Prepayments	527	526	527	526
Total current receivables	15,577	15,162	15,184	14,852
Non current				
Intercompany loan	-	-	9,568	13,431
Provision for intercompany receivable	-	-	(5,578)	-
Other	84	84	84	84
Total non current receivables	84	84	4,074	13,515

	Consolidated		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
14 Inventories				
Gravel stocks at cost	2,271	2,635	2,271	2,635
Seed and seedlings at cost	2,831	3,117	2,831	3,117
Timber at cost	1,470	4,807	1,470	4,807
Stores general at cost	483	312	483	312
	7,055	10,871	7,055	10,871
15 Biological Assets				
Current				
Standing timber at valuation	8,999	24,716	8,999	24,716
Non current				
Standing timber at valuation	143,961	61,367	143,961	61,367
Roads and road structures	65,365	85,260	65,365	85,260
	209,326	146,627	209,326	146,627
	218,325	171,343	218,325	171,343

Reconciliation of biological assets (\$000)

	Consolidated			Parent		
	Forest	Roads	Total	Forest	Roads	Total
Carrying amount as at 30 June 2013	104,958	86,242	191,200	104,958	86,242	191,200
Additions	4,521	3,540	8,061	4,521	3,540	8,061
Reallocation	-	-	-	-	-	-
Net movement work in progress	-	1,820	1,820	-	1,820	1,820
Depreciation	-	(6,342)	(6,342)	-	(6,342)	(6,342)
Reclassification	-	-	-	-	-	-
Revaluation	(23,396)	-	(23,396)	(23,396)	-	(23,396)
Carrying amount as at 30 June 2014	86,083	85,260	171,343	86,083	85,260	171,343
Carrying amount as at 30 June 2014	86,083	85,260	171,343	86,083	85,260	171,343
Additions	4,899	10,905	15,804	4,899	10,905	15,804
Acquisition of joint venture interest ¹	5,598	-	5,598	5,598	-	5,598
Reallocation	-	(1,949)	(1,949)	-	(1,949)	(1,949)
Net movement work in progress	-	(4,149)	(4,149)	-	(4,149)	(4,149)
Depreciation	-	(6,167)	(6,167)	-	(6,167)	(6,167)
Reclassification	18,535	(18,535)	-	18,535	(18,535)	-
Revaluation	37,845	-	37,845	37,845	-	37,845
Carrying amount as at 30 June 2015	152,960	65,365	218,325	152,960	65,365	218,325

¹ A non-controlling minority interest liability is recognised (refer note 20).

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

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 2015 \$'000	Unobservable inputs	Inputs	Relationship of unobservable inputs to fair value
Forest estate incorporating biological asset and land	218,325	Price	5% increase	value increases \$4m
		Discount rate	1% increase	value decreases \$21m
		Discount rate	1% decrease	value increases \$25m
		Cost	5% increase	value decreases \$40m

16 Property, plant and equipment

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

	Consolidated							Total \$'000
	Land \$'000	Buildings \$'000	Transmission line \$'000	Plant & equipment \$'000	Site infrastructure \$'000	Pre- development \$'000	Capital work in progress \$'000	
Carrying amount at 1 July 2013	3,218	11,388	11,206	7,461	4,656	2,370	120	40,419
Additions	-	24	-	125	-	-	299	448
Disposals	(144)	(140)	-	(306)	-	-	-	(590)
Revaluation	38	841	-	-	-	-	-	879
Impairment	-	-	-	-	-	-	-	-
Movement in work in progress	-	-	-	-	-	-	(194)	(194)
Depreciation	-	(437)	(593)	(755)	(333)	(170)	-	(2,288)
Carrying amount at 30 June 2014	3,112	11,676	10,613	6,525	4,323	2,200	225	38,674
Carrying amount at 1 July 2014	3,112	11,676	10,613	6,525	4,323	2,200	225	38,674
Additions	-	202	-	372	-	-	455	1,029
Disposals	(138)	(760)	-	(163)	-	-	-	(1,061)
Reallocation	-	-	-	-	(3,285)	(2,030)	-	(5,315)
Revaluation	135	296	-	-	-	-	-	431
Impairment	-	-	(3,752)	75	-	-	-	(3,677)
Movement in work in progress	-	-	-	-	-	-	(680)	(680)
Depreciation	-	(456)	(593)	(618)	(333)	(170)	-	(2,170)
Carrying amount at 30 June 2015	3,109	10,958	6,268	6,191	705	-	0	27,231
Original cost of assets 30 June 2015	2,000	21,538	14,811	16,181	6,828	3,405		64,763

	Parent Entity							Total \$'000
	Land \$'000	Buildings \$'000	Transmission line \$'000	Plant & equipment \$'000	Site infrastructure \$'000	Pre- development \$'000	Capital work in progress \$'000	
Carrying amount at 1 July 2013	2,768	11,388	-	7,461	-	-	120	21,737
Additions	-	24	-	125	-	-	299	448
Disposals	(144)	(140)	-	(306)	-	-	-	(590)
Revaluation	38	841	-	-	-	-	-	879
Movement in work in progress	-	-	-	-	-	-	(194)	(194)
Depreciation	-	(437)	-	(755)	-	-	-	(1,192)
Carrying amount at 30 June 2014	2,662	11,676	-	6,525	-	-	225	21,088
Carrying amount at 1 July 2014	2,662	11,676	-	6,525	-	-	225	21,088
Additions	-	202	-	372	-	-	455	1,029
Disposals	(138)	(760)	-	(163)	-	-	-	(1,061)
Revaluation	135	296	-	-	-	-	-	431
Impairment	-	-	-	75	-	-	-	75
Movement in work in progress	-	-	-	-	-	-	(680)	(680)
Depreciation	-	(456)	-	(618)	-	-	-	(1,074)
Carrying amount at 30 June 2015	2,659	10,958	-	6,191	-	-	0	19,808
Original cost of assets 30 June 2015	1,626	21,538	-	16,181	-	-		39,345

16 Impairment of assets

Forestry Tasmania has completed impairment testing of its property, plant and equipment assets. An impairment loss of \$3.752 million was recognised for the transmission line asset in 2015 (2014: \$ nil). The impairment loss was calculated using a discounted cash flow model. The discounted cash flow model used a 1% growth rate for sales and expenses approximating CPI at 30 June and a discount rate of 8.5%. A 1% change in discount rate alters the impairment by \$1 million, a 1% increase in the growth rate for sales reduces the impairment by \$1.2 million and a 1% increase on the growth rate for expenses increases the impairment by \$0.2 million.

Valuation of land and buildings

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 2012 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.

	Consolidated		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
17 Intangible assets at cost				
Forestry Tasmania's intangible assets relate to the development costs of internally produced software.				
Software development	372	722	372	722
Less provision for amortisation	(372)	(708)	(372)	(708)
	-	14	-	14

	Consolidated			Parent Entity		
	Software \$'000	Work in Progress \$'000	Total \$'000	Software \$'000	Work in Progress \$'000	Total \$'000
Carrying amount at 1 July 2014	14	-	14	14	-	14
Disposal/reallocation	-	-	-	-	-	-
Amortisation	(14)	-	(14)	(14)	-	(14)
Carrying amount at 30 June 2015	-	-	-	-	-	-
Carrying amount at 1 July 2013	38	-	38	38	-	38
Disposal/reallocation	-	-	-	-	-	-
Amortisation	(24)	-	(24)	(24)	-	(24)
Carrying amount at 30 June 2014	14	-	14	14	-	14

	Consolidated		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
18 Investments accounted for using the equity method				
Non current				
Investment in Hollybank Treetops Adventure Pty Ltd	-	486	-	486
	-	486	-	486

Forestry Tasmania own a 50% share in Hollybank Treetops Adventure Pty Ltd, which is an incorporated joint venture with Australian Treetops Canopy Tours Pty Ltd. The principal activity of the joint venture is a tourism adventure activity located in the Hollybank forest reserve. The joint venture has been reclassified as an asset held for sale, see note 9.

	Consolidated		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
19 Other investments				
Non current				
Investment in infrastructure assets - Eco Centre trust	-	570	-	570
Investment in Huon Valley Financials Pty Ltd	5	5	5	5
	5	575	5	575

	Consolidated		Parent Entity	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
20 Trade and other payables				
Current				
Trade creditors and other payables	4,975	9,656	4,966	9,659
Non-controlling interest ¹	2,799	-	2,799	-
Redundancy cost ²	2,147	-	2,147	-
Accrued expenses	4,768	5,049	4,692	4,963
Derivative liability	50	116	50	116
Total current payables	14,739	14,821	14,654	14,738
Non current				
Trade creditors	10	10	201	4,004
Non-controlling interest ¹	2,799	-	2,799	-
	2,809	10	3,000	4,004

¹ Forestry Tasmania will acquire the balance of the Plantation Platform Tasmania joint venture over a two year period. This acquisition will bring Forestry Tasmania's ownership in the current joint venture to 100% by 30 June 2017.

² The redundancy cost includes redundancies that have been agreed, calculated and signed with employees as at 30 June 2015 for employees who will leave in the following financial year.

	Consolidated		Parent Entity	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
21 Revenue received in advance				
Current	2,725	6,029	2,725	5,577
Non Current	15,306	20,621	15,306	15,306
	18,031	26,650	18,031	20,883

	Consolidated		Parent Entity	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<i>Reconciliation of revenue received in advance (\$000)</i>				
Tasmanian Community Forest Agreement				
Opening balance	19,416	23,223	19,416	23,223
Tasmanian Community Forest Agreement Income - operating activities	-	(606)	-	(606)
Tasmanian Community Forest Agreement Income - intensive forest management	(1,525)	(3,201)	(1,525)	(3,201)
Closing balance	17,891	19,416	17,891	19,416
Tasmanian Forest Agreement				
Opening balance	1,132	4,758	1,132	4,758
Receipts	7,340	16,500	7,340	16,500
Tasmanian Forest Agreement/World Heritage Area implementation funding	(8,472)	(20,126)	(8,472)	(20,126)
Closing balance	-	1,132	-	1,132
Other revenue received in advance				
Opening balance	6,102	6,610	335	336
Receipts	356	454	356	454
Transfer to offset assets	(5,314)	-	-	-
Other activities	(1,004)	(962)	(551)	(455)
Closing balance	140	6,102	140	335
Closing balance 30 June 2015	18,031	26,650	18,031	20,883

	Consolidated		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
22 Interest bearing liabilities				
Current				
Borrowings	33,200	200	33,200	200
Finance lease	23	21	-	-
	33,223	221	33,200	200
Non-current				
Finance lease	3,326	3,347	-	-
Total	3,326	3,347	-	-
Financing arrangements				
The Group has access to the following lines of credit:				
Total facilities available:				
Credit cards	800	800	800	800
Loan facility - secured	41,000	31,000	41,000	31,000
	41,800	31,800	41,800	31,800
Facilities used at balance date:				
Credit cards	27	47	27	47
Loan facility - secured	33,200	200	33,200	200
	33,227	247	33,227	247
Facilities not utilised at balance date:				
Credit cards	773	753	773	753
Loan facility - secured	7,800	30,800	7,800	30,800
	8,573	31,553	8,573	31,553

Credit Cards

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% (2014:17.99%), payable monthly.

Foreign Currency Overdraft Limit

Forestry Tasmania has a US\$2.0 million foreign currency overdraft facility to facilitate foreign currency dealings. (2014: \$2.0 million)

Loan Facility - Secured

Forestry Tasmania has no long term fixed borrowings, (2014: \$nil). The loan facility is secured by a floating charge over Forestry Tasmania's trade and other receivables. Refer to **note 13** for the carrying amount of trade and other receivables which Forestry Tasmania have pledged as security. Borrowings are on the basis of overnight deposit and payable at call.

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

The interest rate (excluding guarantee fees) on borrowings is 2.8% (2014: 3.4%).

Finance Lease

The finance lease between Newwood Holdings Pty Ltd and Transend Networks Pty Ltd is related to the construction of the power transmission line onto the Huon wood centre site. The construction of the line has been funded through a finance lease agreement with Transend. The agreement covers the annual payment of operating, maintenance and a capital component for the term of the agreement, which is to May 2033. The capital component has now been fully extinguished leaving only the operating and maintenance component of the lease. The interest rate is fixed at 8.4% per annum.

	Consolidated		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
23 Obligations for non-commercial forest zones				
Current	190	1,153	190	1,153
Non current	4,310	6,747	4,310	6,747
	4,500	7,900	4,500	7,900

Identified costs and revenues associated with formal reserves and special timber zones, were analysed by Sewall as part of their valuation project in 2012. These two zones were together referred to as 'non-commercial zones'. From 2014 the non-commercial zone is the special timber zone only. Sewall's discounted cash flow analysis determined an 'Obligation Liability' based on the net costs incurred by Forestry Tasmania in maintaining these zones in accordance with the *Forest Management Act 2013*.

	Consolidated		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
24 Employee benefits				
Current				
Annual leave	1,175	1,263	1,175	1,263
Long service leave	2,500	2,742	2,500	2,742
Superannuation defined benefit scheme (see note below)	5,805	5,858	5,805	5,858
Workers compensation	456	305	456	305
	9,936	10,168	9,936	10,168
Non current				
Long service leave	188	197	188	197
Superannuation defined benefit scheme (see note below)	126,782	142,950	126,782	142,950
	126,970	143,147	126,970	143,147

Information in this note applies equally to the consolidated and parent entity.

Assumed rate of increase in wages and salaries rates	3.0%	3.0%
Discount rate used in the calculation of the long service leave provision ranges from 2.49% to 4.04% (2014 range 2.55% to 3.66%).		
Settlement terms (years) - long service leave	10 years	10 years

a) Superannuation liability

Key assumptions	2015 \$'000	2014 \$'000
Assumptions to Determine Defined Benefit Cost and Start of Year Defined Benefit Obligation		
Discount rate (active members)	4.10%	4.25%
Discount rate (pensioners)	4.10%	4.25%
Expected rate of increase of compulsory preserved amounts	4.50%	3.75%
Expected salary increase rate	3.00%	3.00%
Expected pension increase rate	2.50%	2.50%
Assumptions to Determine End of Year Defined Benefit Obligation		
Discount rate (active members)	4.80%	4.10%
Discount rate (pensioners)	4.80%	4.10%
Expected rate of increase of compulsory preserved amounts	4.50%	4.50%
Expected salary increase rate	3.00%	3.00%
Expected pension increase rate	2.50%	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

24

	Base Case	Scenario A	Scenario B	Scenario C	Scenario D
Discount rate (pa)	4.80%	4.30%	5.30%	4.80%	4.80%
Pension increase rate (pa)	2.50%	2.50%	2.50%	2.00%	3.00%
Defined benefit obligation (A\$'000s)	167,583	178,984	157,324	158,986	177,020
				2015	2014
Profit or loss impact				\$'000	\$'000
Current service cost				2,018	2,215
Net interest				5,974	5,976
Defined benefit cost recognised in profit or loss				7,992	8,191
Other comprehensive income					
Actuarial (gains) losses				(14,267)	4,675
Actuarial return on plan assets less interest income				(3,296)	(1,268)
Total remeasurements recognised in other comprehensive income				(17,563)	3,407
Reconciliation of the Net Defined Benefit Liability/(Asset)					
Defined Benefit Obligation				167,583	181,502
Fair value of plan assets				(34,996)	(32,694)
Deficit/(surplus)				132,587	148,808
Adjustment for effect of asset ceiling				-	-
Net defined benefit liability/(asset)				132,587	148,808
Current net liability				5,805	5,858
Non-current net liability				126,782	142,950
				2015	2014
Reconciliation of the Fair Value of Scheme Assets				\$'000	\$'000
Fair value of plan assets at beginning of the year				32,694	32,351
Interest income				1,300	1,337
Actual return on plan assets less interest income				3,296	1,268
Employer contributions				6,652	6,125
Contributions by plan participants				605	663
Benefits paid				(9,273)	(8,764)
Taxes, premiums and expenses paid				(276)	(285)
Fair value of plan assets at end of the year				34,996	32,694
Reconciliation of the Defined Benefit Obligation					
Present value of defined benefit obligation at beginning of the year				181,503	175,686
Current service cost				2,018	2,215
Interest cost				7,274	7,313
Contributions by plan participants				605	663
Actuarial (gains)/losses arising from changes in demographic assumptions				-	1,104
Actuarial (gains)/losses arising from changes in financial assumptions				(16,318)	4,504
Actuarial (gains)/losses arising from liability experience				2,051	(933)
Benefits paid				(9,273)	(8,764)
Taxes, premiums and expenses paid				(276)	(285)
				167,583	181,503

Fair value of scheme assets Asset category	Total (A\$'000)	Quoted prices in active	Significant observable	Unobservable inputs - Level
		markets for identical assets - Level 1 (A\$'000)	inputs - Level 2 (A\$'000)	3 (A\$'000)
Cash and cash equivalents	6,074	6,074	-	-
Equity instruments	23,882	10,870	10,488	2,523
Debt instruments	4,691	1,273	1,926	1,492
Derivatives	65	-	65	-
Real estate	284	-	284	-
Total	34,996	18,217	12,763	4,015

Expected employer contributions (30 June 2016) 5,805

	2015 \$'000	2014 \$'000
Current service cost		
1 Total current service cost at beginning of year	(2,255)	(2,487)
2 Interest for the year	(92)	(106)
3 Expected contributions tax and expenses	(276)	(285)
4 Expected employee contributions	605	663
5 Expected change in contributions tax provision	-	-
6 Accumulation contributions met from surplus	-	-
7 Current service cost	(2,018)	(2,215)
Interest expense		
1 Defined benefit obligation at beginning of year	181,502	175,686
2 Expected distributions	(8,167)	(7,240)
a. Weighted timing	(4,084)	(3,620)
3 Average defined benefit obligation (1-2a)	177,418	172,066
4 Discount rate	4.10%	4.25%
5 Interest expense (3 x 4)	(7,274)	(7,313)
Interest income		
1 Fair value of plan assets at beginning of year	32,694	32,351
2 Expected employer contributions	5,858	5,060
a. Weighted for timing	2,929	2,530
3 Expected employee contributions	605	663
a. Weighted for timing	303	332
4 Expected distributions during year	8,167	7,240
a. Weighted for timing	4,084	3,620
5 Expected expenses, tax and insurance premiums	276	285
a. Weighted for timing	138	143
6 Average expected fair value of assets (1+2a+3a-4a-5a)	31,704	31,450
7 Discount rate	4.10%	4.25%
8 Interest income (6x7)	1,300	1,337
Net interest		
1 Interest expense	(7,274)	(7,313)
2 Interest income	1,300	1,337
3 Net interest (1-2)	(5,974)	(5,976)
Actuarial (Gains)losses (recognised in Other Comprehensive Income)		
1 Actuarial (gain)/loss on Defined Benefit Obligation - experience	2,051	(933)
2 Actuarial (gain)/loss on Defined Benefit Obligation - change in demographic assumptions	-	1,104
3 Actuarial (gain)/loss on Defined Benefit Obligation - change in financial assumptions	(16,318)	4,504
4 Actuarial (gain)/loss (1+2+3)	(14,267)	4,675

25 Expenditure commitments

Operating expenditure commitments

a) Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

Not longer than one year

Longer than one year but not longer than five years

Later than five years

	Consolidated		Parent Entity	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Not longer than one year	3,838	4,209	3,838	4,209
Longer than one year but not longer than five years	12,202	12,602	12,202	12,602
Later than five years	13,770	13,770	13,770	13,770
	29,810	30,581	29,810	30,581

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

b) Finance lease

Finance lease liabilities of the Group are payable as follows:

2015

	Consolidated (\$'000)		
	Future minimum	Interest	Present value of
Not longer than one year	301	(280)	21
Between one and two years	607	(555)	52
Between three and five years	1,050	(795)	255
Later than five years	4,898	(1,879)	3,019
	6,856	(3,509)	3,347

2014

	Consolidated (\$'000)		
	Future minimum	Interest	Present value of
Not longer than one year	301	(282)	19
Between one and two years	603	(559)	44
Between three and five years	1,005	(814)	191
Later than five years	5,248	(2,136)	3,112
	7,157	(3,791)	3,366

The finance lease is between Newwood Holdings Pty Ltd and Transend Network Pty Ltd and relates to the construction of the power transmission line onto the Huon Wood Centre site. The construction of the line has been funded through a finance lease agreement with Transend.

The Parent Entity does not have any finance lease liabilities.

c) Capital expenditure commitments

Plantation establishment

Not longer than one year

Between one and five years

Road construction

Not longer than one year

Between one and five years

	Consolidated		Parent Entity	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Not longer than one year	1,085	2,610	1,085	2,610
Between one and five years	15,306	15,306	15,306	15,306
	16,391	17,916	16,391	17,916
Not longer than one year	1,480	1,480	1,480	1,480
Between one and five years	4,440	4,440	4,440	4,440
	5,920	5,920	5,920	5,920

26 Contingent liabilities

The liquidator of Gunns Limited are exercising their rights to make enquiries on remittances to Forestry Tasmania with a view to determining whether any remittances were preferential payments. No action has been taken by the liquidator at this stage. The remittances in the twelve month period to 25 September 2012 total \$3.527 million.

Separate correspondence has been received from the Gunns liquidator alleging 'unjust enrichment' of Forestry Tasmania and that Forestry Tasmania pay \$39.950 million to the liquidator for the time, effort and cost expended by Gunns in cultivating the trees planted on land subject to the right. No action has been taken by the liquidator at this stage.

Indemnities have been provided to directors and senior management of Forestry Tasmania 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 2015.

27 Controlled entities

	Country of incorporation	Percentage of Shares	
		2015	2014
Parent Entity - Forestry Tasmania			
Controlled Entities - Newwood Holdings Pty Ltd, incorporated 19 December 2002	Australia	100%	100%
Controlled Entities - Newwood Huon Pty Ltd, incorporated 19 December 2002	Australia	100%	100%
Controlled Entities - Newwood Smithton Pty Ltd, incorporated 19 December 2002	Australia	100%	100%
Controlled Entities - Newwood Energy Pty Ltd, incorporated 3 March 2008	Australia	100%	100%

All of the above entities are consolidated and form part of the Consolidated Entity. Forestry Tasmania is an entity that is 100% owned by the Crown of Tasmania.

28 Related party information

	Sales to related parties		Purchases from related		Amounts owed by related		Amounts owed to related	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<i>Consolidated</i>								
Hollybank Treetops Adventure Pty Ltd	-	-	-	-	-	9	-	-
<i>Parent</i>								
Hollybank Treetops Adventure Pty Ltd	-	-	-	-	-	9	-	-
Newwood Holdings Pty Ltd	115	76	314	285	9,568	13,431	201	4,004

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

29 Key management personnel compensation and other disclosures

During the year, the Board of Directors of Forestry Tasmania was comprised of the following individuals: R Annells, G Coffey, R Smith, R Bunyon (resigned 16/9/2014), R Woolley, C Mucha and T Ferrall (appointed 25/5/2015). Directors fees are paid in accordance with the levels agreed by the Department of Premier and Cabinet and approved by the Minister. An additional fee is paid to Directors who chair Board sub-committees. Forestry Tasmania has 6 directors at 30 June 2015 (2014: 6 Directors).

Other key management personnel are determined to be the members of the General Management Team of Forestry Tasmania (at 30 June 2015: 6 members) (at 30 June 2014: 8 members). The Remuneration Committee of the Board is responsible for determining and reviewing compensation arrangements for members of the General Management Team (GMT).

Compensation for Directors and General Management Team personnel of Forestry Tasmania amounted to the following:

	Consolidated	
	2015 \$'000	2014 \$'000
Short-term employee benefits	1,758	1,801
Post-employments benefits	217	205
Other long-term benefits	-	-
Termination benefits	139	11
	2,114	2,017

29 (a) Director remuneration

Directors Remuneration 2014-15

Non-Executive Directors	Directors fees \$'000	Committee fees \$'000	Super-annuation¹ \$'000	Other \$'000	Total 2015 \$'000
Mr R Annells - Chairman	156	-	15	-	171
Mr G Coffey	48	5	5	-	58
Mr R Woolley	48	2	5	-	55
Dr C Mucha	48	5	5	-	58
Mr R Smith	48	5	5	-	58
Mr R Bunyon (resigned 16/9/2014)	11	-	1	-	12
Mr T Ferrall (appointed 25/5/2015) *	6	-	-	-	6
Total	365	17	36	-	418

* Mr T Ferrall's director fees are paid directly to Treasury and no superannuation is applied to the payment

Directors Remuneration 2013-14

Non-Executive Directors	Directors fees \$'000	Committee fees \$'000	Super-annuation¹ \$'000	Other \$'000	Total 2014 \$'000
Mr R Annells - Chairman	156	-	14	-	170
Mr G Coffey	48	5	5	-	58
Mr R Woolley	48	2	5	-	55
Dr C Mucha	48	5	5	-	58
Mr R Smith	48	5	5	-	58
Mr R Bunyon	48	5	5	-	58
Total	396	22	39	-	457

Directors remuneration total for 2012-13 was \$363,228

¹ Superannuation means the contribution to the superannuation fund of the individual.

(b) Director remuneration principles

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.

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

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

Forestry Tasmania has not made any loans with any member of the Board of Directors or their related parties. Mr R Woolley purchased a surplus Forestry Tasmania vehicle for \$32,525. The basis for the sale price was a third party view of the market value. Forestry Tasmania has executed Deeds of Access, Insurance and Indemnity with all directors.

29 (c) General Management Team remuneration

General Management Team Remuneration 2014-15

	Salary ¹ \$'000	term incentive payments ² \$'000	Termination payments ³ \$'000	Super- annuation ⁴ \$'000	Vehicles ⁵ \$'000	Other benefits ⁶ \$'000	Other non- monetary benefits ⁷ \$'000	Total 2015 \$'000
Mr S Whiteley - CEO	313	25	-	37	7	-	8	390
Mr J Shevlin - EGM Communications	201	-	-	19	12	-	1	233
Mr J Garrett - EGM Commercial	220	-	-	21	-	-	(6)	235
Mr C Brookwell - EGM Corporate Services (from 5/1/2015)	112	-	-	11	-	-	9	132
Mrs S Weeding - GM Forest Management (from 15/12/2014)	85	-	-	8	12	-	5	110
Mr N Foss - GM Operations	160	-	-	15	24	-	4	203
Mrs S Shoobridge - CFO (to 31/12/2014)	94	-	3	8	-	-	-	105
Mrs L Burgess - GM Corporate Services (to 31/7/2014)	25	-	132	15	4	18	-	194
Mr J Hickey - GM Forest Management (to 12/12/2014)	76	-	4	8	6	-	-	94
Total	1,286	25	139	142	65	18	21	1,696

General Management Team Remuneration 2013-14

	Salary ¹ \$'000	Short- term incentive payments ² \$'000	Termination payments ³ \$'000	Super- annuation ⁴ \$'000	Vehicles ⁵ \$'000	Other benefits ⁶ \$'000	Other non- monetary benefits ⁷ \$'000	Total 2014 \$'000
Mr S Whiteley - CEO	302	26	-	36	29	-	11	404
Mr J Shevlin - EGM Communications (from 18/11/2013)	119	-	-	11	3	-	7	140
Mr J Garrett - EGM Commercial (from 16/12/2013)	112	-	-	10	-	-	10	132
Mr N Foss - GM Operations	150	-	-	14	20	-	10	194
Ms S Shoobridge - CFO	200	-	-	19	-	-	10	229
Ms L Burgess - GM Corporate Services	205	-	-	20	7	-	2	234
Mr J Hickey - GM Forest Management (resigned as at 23 April 2014 and recommenced 12 May 2014)	143	-	11	17	11	-	(14)	168
Mr A Lacey - Manager Communication (to 28/2/2014)	56	-	-	5	-	-	(2)	59
Total	1,287	26	11	132	70	-	34	1,560

General Management Team Remuneration total for 2012-13 was \$2,152,762

¹ Gross Salary includes all forms of consideration paid and payable for services rendered, compensated absences during the period and salary sacrifice amounts.

² Short term incentive payments are non-recurrent payments which depend on achieving specified performance goals within specified timeframes. The 2014-15 amount is an estimated accrual.

³ Termination benefits include all forms of benefit paid or accrued as a consequence of termination.

⁴ Superannuation means the contribution to the superannuation fund of the individual. Superannuation benefits for members of a defined benefit scheme were calculated using a notional cost based on 11.9%. Mrs L Burgess was paid an additional \$968 (2.5%) superannuation from 20 June 2013 to 11 September 2013 as a part of her total package.

⁵ Includes total cost of providing and maintaining vehicles provided for private use, including registration, insurance, fuel and other consumables, maintenance cost and parking (including notional value of parking provided at premises that are owned or leased and fringe benefits tax). Where a contribution has been made by the employee this amount has been deducted from the actual cost.

⁶ Other benefits includes all other forms of employment allowances (but excludes reimbursements for expenses such as travel, accommodation or meals), payments in lieu of leave, and any other compensation paid and payable. Mrs L Burgess was retained on a consultancy contract for the sum of \$17,600 (one off payment) to provide a hand over to newly appointed staff.

⁷ Other non-monetary benefits include annual and long service leave movements and non-monetary benefits (such as housing, subsidised goods or services etc).

29 (d) General Management Team remuneration principles

Remuneration levels for key management personnel of Forestry Tasmania 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 Forestry Tasmania's remuneration policy.

The remuneration structures take into account the capability and experience of key management personnel, the key management personnel's ability to control the relevant segment performance and achievement of Forestry Tasmania's strategic initiatives.

The employment and conditions of senior executives 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 CEO is appointed by the Board. Independent professional advice is obtained prior to entering into, or extending an employment agreement and when determining the CEO's remuneration package. The Board consults with the Treasurer and Portfolio Minister prior to finalising the CEO's remuneration package. The CEO is also eligible for a short term incentive payment subject to meeting agreed key performance indicators.

The performance of each senior executive, including the CEO, is reviewed annually, which includes a review of the remuneration package. The terms of employment of each senior executive, including the CEO, contain a termination clause that requires the senior executive or Forestry Tasmania to provide a minimum notice of between 3 and 6 months prior to termination of the contract or make redundancy payments if relevant. Service contracts have durations not exceeding five years, but can be extended based on the Organisation's requirements.

	Consolidated		Parent Entity	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
30 Auditors' remuneration				
Amounts paid and payable to the Tasmanian Audit Office for auditing the financial statements of Forestry Tasmania.	100	108	100	108
Amounts paid and payable to other service providers for internal and other regulatory audit services	70	79	70	79

31 Events subsequent to balance date

The following items have arisen subsequent to the end of the financial year:

* An Equity contribution by the State of \$30 million was transferred to Forestry Tasmania on 1 July 2015. This transfer left Forestry Tasmania with cash (net of borrowings) of \$2.922 million on 1 July 2015; and

* The redundancy program was completed on 28 July 2015 (refer notes 6a(iii) and 20). Thirty six (36) positions were made redundant in July 2015/16 at a cost of \$2.147 million, this figure was accrued in the 2014/15 financial accounts.

Other than these items, there have been no other matters and/or circumstances that have arisen since the end of the reporting period.

32 Financial instruments disclosure

Forestry Tasmania and the Group have exposure to the following risks from their use of financial instruments:

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

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Finance, Audit and Risk Management Committee is responsible for developing and monitoring risk management policies and reports regularly to the Board on these activities.

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

Credit Risk

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

Liquidity Risk

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

32 Market Risk

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

Capital Management

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

Forestry Tasmania's current credit rating is BB-.

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

(a) Capital risk

Forestry Tasmania manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholder. The capital structure of Forestry Tasmania consists of debt, which includes borrowings disclosed in note 25, the unfunded superannuation liability disclosed in note 27, cash and cash equivalents disclosed in note 14.

In 2006-07 the Corporation undertook a capital structure review completed by an independent party. The corporation's objective is to achieve a BBB credit rating as agreed with the shareholder. The shareholder is considering the appropriate capital structure as part of its strategic review process.

(b) Categories of financial instruments

		Consolidated		Parent Entity	
		2015	2014	2015	2014
		\$000	\$000	\$000	\$000
<u>Financial Assets</u>					
Fair value through profit or loss - held for trading	Note 19	5	575	5	575
Loans and receivables	13	15,661	15,246	19,258	28,367
Cash and cash equivalents	12(a)	7,820	314	7,575	239
<u>Financial Liabilities</u>					
Derivative liability	20	(50)	(116)	(50)	(116)
Financial liabilities measured at amortised cost	20, 22	(54,097)	(18,399)	(50,854)	(18,942)

(c) Credit Risk

Exposure to credit risk

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

		Consolidated	
	Note	2015	2014
		\$'000	\$'000
Cash	12	7,820	314
Trade and other receivables	13	15,661	15,246
Other financial assets	19	5	575
Total financial assets		23,486	16,135

Trade receivables

Forestry Tasmania's principal credit risk arises from non payment of trade and other receivables. Forestry Tasmania's credit policy expects that each customer's payment will be made by the due date and any disputed transactions will be brought to Forestry Tasmania's attention as soon as possible and dealt with in a prompt and commercial manner. All customers' credit details are reviewed and a credit rating is determined for each customer. The rating determines the applicable terms of payment including the nature of the collateral necessary. Detailed debtor reports are reviewed by the Board of Directors on a monthly basis.

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

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

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

Forestry Tasmania has three major customers for the domestic sale of forest products, which together represented 2015: 63% (2014: 63%) of total forest product sales.

The Group's debtors ageing analysis at reporting date are:

	Consolidated	
	2015 \$'000	2014 \$'000
Current	8,886	7,552
30 days	2,061	4,339
60 days	1,968	527
90 days plus	1,303	2,133
Total	14,218	14,551

Impairment provisioning recognised

Forestry Tasmania has recognised impairment provisions relating to loans and receivables.

	Consolidated		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Balance at 30 June 2014	(5,350)	(6,850)	(5,350)	(6,850)
Recovery of prior year impairments	-	1,500	-	1,500
Reverse prior year impairment ¹	3,265	-	3,265	-
Impairment loss recognised	-	-	-	-
Balance at 30 June 2015	(2,085)	(5,350)	(2,085)	(5,350)

¹ \$2.265 million was written off in 2014-15 from debtors brought forward at 1 July 2014. Note 5 shows the net revenue of \$1 million.

32 (d) Liquidity Risk

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

	Consolidated					
	Weighted average interest rate	Less than 1 month	1-12 months	1-2 years	2-5 years	More than 5 years
	2015					
Trade and other payables	0.00%	-	14,739	-	-	10
Finance lease liability	8.40%	-	21	52	255	3,019
Interest bearing liabilities - variable	2.80%	-	33,200	-	-	-
2014						
Trade and other payables	0.00%	-	14,821	-	-	10
Finance lease liability	8.40%	-	19	44	191	3,112
Interest bearing liabilities - variable	3.40%	-	200	-	-	-

	Parent Entity					
	Weighted average interest rate	Less than 1 month	1-12 months	1-2 years	2-5 years	More than 5 years
	2015					
Trade and other payables	0.00%	-	14,654	-	-	-
Interest bearing liabilities - variable	2.80%	-	33,200	-	-	-
2014						
Trade and other payables	0.00%	-	14,738	-	-	-
Interest bearing liabilities - variable	3.40%	-	200	-	-	-

Interest bearing liabilities

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

(e) Market Risk

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

	Consolidated \$'000				Parent Entity \$'000			
	2015		2014		2015		2014	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets designated at fair value	5	5	575	575	5	5	575	575
Loans and receivables	15,661	15,661	15,246	15,246	19,258	19,258	28,367	28,367
Cash and cash equivalents	7,820	7,820	314	314	7,575	7,575	239	239
Trade and other payables	(17,548)	(17,548)	(14,831)	(14,831)	(17,654)	(17,654)	(18,742)	(18,742)
Finance lease liability	(3,349)	(3,349)	(3,368)	(3,368)	-	-	-	-
Interest bearing liabilities - variable	(33,200)	(33,200)	(200)	(200)	(33,200)	(33,200)	(200)	(200)
Total	(30,611)	(30,611)	(2,264)	(2,264)	(24,016)	(24,016)	10,239	10,239

32 Exposure to currency risk

Forestry Tasmania's policy is to use foreign currency risk management instruments in compliance with Forestry Tasmania's Foreign Exchange Policy. As at 30 June 2015, there were A \$4.150 million of foreign currency forward exchange contracts in place with an effective hedge rate of \$0.7758 (2014: A \$1.801 million, hedge rate \$0.8922).

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

The US dollar bank account is exposed to the movement in the exchange rate. The organisation transfers funds to the Australian dollar account when available, but when appropriate retains a balance in the US dollar account to pay export expenses and funds to meet forward exchange contract commitments. The balance in the account as at 30 June 2015 was US \$2.361 million (2014: US \$0.014 million).

Interest bearing liabilities - fixed

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

33 Geographical Information

All non-current assets are located within Australia.

	Consolidated		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Revenue				
Australia	127,793	103,128	126,301	101,491
Asia	41,209	54,045	41,209	54,045
Total revenue	169,002	157,173	167,510	155,536

34 Board Approved Overseas Travel

There were no overseas trip by Directors during the year. There were a total of nine trips undertaken by employees of the business. The purpose of those trips was to meet with Forestry Tasmanian customers in China and Japan and to attend an FSC General Assembly. The total cost of all overseas travel taken by employees of the business during the year was \$55,895 (2014: \$64,277). All overseas travel for senior management (members of the General Management Team) was approved by the Board in accordance with the Treasury Overseas Travel policy.

certification of financial statements

Certification of Financial Statements

It is the opinion of the directors of Forestry Tasmania:

- a) the financial statements and notes of the Enterprise and of the consolidated entity 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 2014-15 financial year and the financial position as at 30 June 2015, of the Enterprise and its subsidiaries; and
 - (ii) complying with Australian Accounting Standards and Interpretations and with the Treasurer's Instructions.
- b) there are reasonable grounds to believe that the Enterprise 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 Chief Financial Officer of the Enterprise:

- (i) the financial records of the Enterprise for the 2014-15 financial year have been properly maintained in accordance with Section 51 of the *Government Business Enterprises Act 1995*;
- (ii) the financial statements and notes for the 2014-15 financial year have been prepared in accordance with Section 52 of the *Government Business Enterprises Act 1995*; and
- (iii) the financial statements and notes for the 2014-15 financial year give a true and fair view.

Signed in accordance with a resolution of the directors.



Robert Annells PSM
Chairman
30 September 2015



Dr Christine Mucha
Director
30 September 2015

independant audit report



Tasmanian
Audit Office

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9 October 2015

The Board of Directors
Forestry Tasmania
49 Melville Street
HOBART TAS 7000

Dear Board Members

Auditor's Independence Declaration

In relation to my audit of the financial report of Forestry Tasmania for the financial year ended 30 June 2015, 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

E R De Santi
Deputy Auditor-General
Delegate of the Auditor-General

...1 of 1

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
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Independent Auditor's Report

To Members of the Tasmanian Parliament

Forestry Tasmania

Consolidated Financial Report for the Year Ended 30 June 2015

Report on the Consolidated Financial Report

I have audited the accompanying consolidated financial report (the financial report) of Forestry Tasmania, which comprises the statement of financial position as at 30 June 2015 and the statements of comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the certification statement by the Directors on the financial report on the consolidated entity comprising Forestry Tasmania and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion:

- (a) Forestry Tasmania's financial report:
 - (i) presents fairly, in all material respects, the consolidated entity's financial position as at 30 June 2015, and its financial performance, cash flows and changes in equity for the year then ended
 - (ii) is in accordance with the *Government Business Enterprises Act 1995* and Australian Accounting Standards
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Emphasis of Matter

I draw attention to Note 2(b) to the financial report in which the Directors resolved that it was appropriate to adopt the going concern basis in preparing the financial report, based upon:

- an equity contribution by the State of \$30.000 million transferred to Forestry Tasmania on 1 July 2015
- available borrowings
- Forestry Tasmania expecting to have decreasing operating deficits and incur transition costs over the next two years

...1 of 3

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- Cabinet making an in-principle decision for Forestry Tasmania to sell an appropriate proportion of its hardwood plantation estate to fund operating deficits and transition costs
- Directors being satisfied that the hardwood plantation resource can provide sufficient funds to meet costs over the transition period.

My audit opinion is not modified in respect of these matters.

The Responsibility of the Directors for the Financial Report

The Directors of Forestry Tasmania are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and Section 52 (1) of the *Government Business Enterprises Act 1995*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on my judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, I considered internal control relevant to the Directors' preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Forestry's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting this audit, I have complied with the independence requirements of Australian Auditing Standards and other relevant ethical requirements. The *Audit Act 2008* further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General

...2 of 3

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- mandating the Auditor-General as auditor of State Entities but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Tasmanian Audit Office are not compromised in their role by the possibility of losing clients or income.

I confirm that the independence declaration required by the *Corporations Act 2001*, was provided to the Directors on the same date as this audit opinion and is included in the Directors' report.

Tasmanian Audit Office



E R De Santi
Deputy Auditor-General
Delegate of the Auditor-General

Hobart
9 October 2015

...3 of 3

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