APPENDIX 1 – 2013-14

financial statements

Forestry Tasmania

Directors' Report

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 2014.

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
Robert Smith
Ross Bunyon AM
Dr Christine Mucha
Robert Woolley

Principal Activities

The main undertaking by Forestry Tasmania is the management of Tasmania's Permanent Timber Production Zone land (the land) including the sustainable production and delivery of forest products and services; the facilitation of new forest-based industries; the conservation of natural and cultural heritage values and the provision of education, recreation and tourism services arising from or related to the land.

Results

The comprehensive result of the consolidated entity after income tax was a $43.118 million loss (2012-2013: $14.190 million loss after tax).

Key factors of the result for the year are:

1. Significant non cash items

1.1 A reduction in the valuation of the forest of $18.875 million before tax as detailed below in the Forest Valuation section.

1.2 A net tax expense of $13.276 million, made up of de-recognition of deferred tax assets of $21.108 million accrued in prior years offset by a net tax credit on the current year of $7.832 million.

1.3 An increase of $3.407 million in the historical defined benefits superannuation liability.

1.4 Employee benefit superannuation interest cost of $5.976 million.

Total significant non cash items $41.534 million loss.

2. Other items

2.1 Revenue from total forest sales increased by 70% to $95.804 million from the $56.338 million achieved last year, and the cost of sales also increased by 70%.

2.2 The ongoing lack of access to facilities at Triabunna and Burnie for wood chip exports hampered our export activities and resulted in increased transport costs. Exports from Burnie will recommence early in 2014-15.

2.3 The high value of the Australian dollar relative to the United States dollar for most of the financial year impacted competitiveness in export markets.

2.4 $6.51 million was received for the sale of softwood plantation forestry rights.

The Government provided $23 million in funding to enable Forestry Tasmania to meet its obligations during the financial year (2012-13: $35.0 million). This funding supported Forestry Tasmania's operations and enabled it to reduce end of year borrowings by $0.8 million and remain cash positive at year end.

The Government also provided funding under the Tasmanian Forest Agreement and World Heritage Implementation arrangements of which Forestry Tasmania earned $14.451 million (2012-13: $1.742 million) for residue transport assistance; cable harvesting; plantation thinning; plantation establishment and for seeking Forest Stewardship Council certification.

The net tax expense is $13.276 million. It includes the de-recognition of the deferred tax asset of $21.108 million as an expense, as future forecast trading results were considered to be insufficient to utilise the deferred tax asset within the foreseeable future. The expensing of this asset was partially offset by a net tax credit of $7.832 million on the operating loss for the 2013-14 trading year.

Forest Valuation

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.

With the passing of the Tasmanian Forests Agreement (TFA) Act, Forestry Tasmania is responsible for the Permanent Timber Production Zone (PTPZ) land of 800,000 hectares defined by that Act. The valuation reflects the quantities that can now be sustainably harvested from the reduced forest area. The Act has established a minimum high quality sawlog production target of 137,000 cubic metres per annum. In addition to the sawlog volume, a contracted peeler log volume of 200,000 tonnes is also included in the valuation. In achieving these sawlog and peeler wood targets the arising pulpwood generated would average approximately 870,000 tonnes per annum.

There is legislation before the Tasmanian parliament to repeal this Act, however at the effective date of the valuation the above numbers represent the key factors to be considered by the valuer.

The valuation at 30 June 2013 included cumulative Government transition funding which was to be provided over the ensuing three years of $75 million. The amounts now available are provided for under the Tasmanian Forests Intergovernmental Agreement Grant Deed and other sources and will total $33.9 million over 4 years. This reduction in the revenues available is a significant influence on the reduction in the forest valuation at 30 June 2014.

It is recognised that projected costs for administration, forest management, overheads and research and development will reduce over time in line with the lower revenues available from the reduced area of forest available for harvest following legislative changes. As an interim measure, these costs have been recognised in the valuation by adopting the full current cost of $89.06 per productive hectare in 2014-15, reducing progressively to the target rate of $71.20 per productive hectare over a period of four years.

The forest estate assets are valued as a whole. Roads are included at cost, less depreciation and impairment, of $85.260 million (2012-13: $86.242 million) and the value of the biological asset (standing timber) is the residual amount of $86.083 million (2012-13: $104.958 million).

A discount rate of 9.4% (9.7% used at 30 June 2013) has been applied by the valuer.

Going Concern Basis for the Preparation of the Annual Financial Statements

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

The Board resolved that it is appropriate to prepare the financial statements on the basis that Forestry Tasmania is a going concern, whilst it is continuing a process of transition of its business model together with Government. The Government has confirmed that it will meet its legal obligations as owner of Forestry Tasmania, including financial obligations if required.

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Organisation, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Directors' Report

Indemnification and Insurance of Officers

The Organisation has paid insurance premiums in respect of Directors' and Officers' liability. The insured persons under this policy are defined as all the Directors of the Organisation, the Secretary of the Board and Executive Officers of the Organisation and any related body corporate against a liability incurred by such a Director, Secretary or Executive Officer. 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 not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Organisation or any related body corporate.

Dated at Hobart, this 13th day of August 2014

Signed in accordance with a resolution of Directors:

Robert Annells
Chairman

Geoff Coffey
Director

contents

statements OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

		Consolidated		Parent Entity	
		2014	2013	2014	2013
Revenue	Note	$'000	$'000	$'000	$'000
Trading revenue					
Revenue from forest sales	2(e), 4	**95,804**	56,338	**95,804**	56,338
Other income	2(e), 5	**19,233**	16,283	**17,596**	13,715
Reimbursement for non-commercial activity costs	2(e), 5	**-**	20,000	**-**	20,000
Deficit funding	2(e), 5	**23,000**	15,000	**23,000**	15,000
Tasmanian Forest Agreement/World Heritage Area implementation funding	2(e), 5	**14,451**	1,742	**14,451**	1,742
Tasmanian Community Forest Agreement Income - operating activities	2(e), 6	**606**	885	**606**	885
Tasmanian Community Forest Agreement Income - intensive forest management	2(e), 6	**3,201**	9,127	**3,201**	9,127
Finance income	2(t), 9	**826**	1,404	**826**	1,404
Share of net profit/(loss) after tax of joint ventures accounted for using the equity method	2(i), 21	**52**	57	**52**	57
		157,173	120,836	**155,536**	118,268
Other revenue					
Movement in obligations for non-commercial zones	2(s), 26	**-**	48,000	**-**	48,000
		-	48,000	**-**	48,000
Total revenue		**157,173**	168,836	**155,536**	166,268
Expenses					
Trading expenses					
Expense from operations	7	**(154,091)**	(116,855)	**(152,743)**	(115,246)
Impairment of roads within new reserves	2(p), 8	**-**	(27,748)	**-**	(27,748)
Finance expense	2(t), 9	**(6,595)**	(7,677)	**(6,156)**	(6,718)
Gain/(loss) on sale of assets	2(n), 10	**(563)**	(440)	**(563)**	(440)
Biological asset valuation increment /(decrement)	2(l), 11	**(18,875)**	(42,902)	**(18,875)**	(42,902)
Current year plantation costs	2(l), 11	**(4,521)**	(4,485)	**(4,521)**	(4,485)
Movement in obligations for non-commercial zones	2(s), 26	**(600)**	-	**(600)**	-
Total expenses		**(185,245)**	(200,107)	**(183,458)**	(197,539)

statements OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Statements of Profit or Loss and Other Comprehensive Income (continued)

For the year ended 30 June 2014

		Consolidated		Parent Entity	
		2014	2013	2014	2013
	Note	$'000	$'000	$'000	$'000
Net profit/(loss) attributable to the owners of Forestry Tasmania		**(28,072)**	(31,271)	**(27,922)**	(31,271)
Income tax (expense)/benefit on net profit / loss	12a	**(13,276)**	529	**(12,656)**	2,253
Net profit/(loss) after tax		**(41,348)**	(30,742)	**(40,578)**	(29,018)
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Increase/(decrease) in the revaluation of land and buildings	2(u), 19	**879**	(1,126)	**879**	(1,203)
Remeasurement of defined benefit liability (asset)	2(r), 27	**(3,407)**	24,771	**(3,407)**	24,771
Income tax on revaluation of land and buildings	12d	**(264)**	338	**(264)**	361
Income tax on remeasurement of defined benefit liability	12d	**1,022**	(7,431)	**1,022**	(7,431)
Total items that will not be reclassified to profit or loss		**(1,770)**	16,552	**(1,770)**	16,498
Total comprehensive income/(expense) for the year attributable to the equity holders of the parent		**(43,118)**	(14,190)	**(42,348)**	(12,520)

The Statements of Profit or Loss and Other Comprehensive Income are to be read in conjunction with the accompanying notes to the financial report.

statements OF CHANGES IN EQUITY

Statements of Changes in Equity

For the year ended 30 June 2014

Consolidated	Contributed Equity $'000	Property & General Revaluation Reserve $'000	Retained Earnings/ (Accumulated losses) $'000	Total Equity $'000
Balance at 01 July 2013	244,457	7,937	(179,866)	72,528
Total comprehensive income for the year				
Profit or (loss)	-	-	(41,348)	(41,348)
Other comprehensive income				
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	-
Total other comprehensive income	-	309	(2,079)	(1,770)
Total comprehensive income for the year	-	309	(43,427)	(43,118)
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Equity contribution	2,641	-	-	2,641
Tax effect on equity contribution	(792)	-	-	(792)
Dividends to equity holders	-	-	-	-
Total contributions by and distributions to owners	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
Restated Balance at 01 July 2012	234,457	8,725	(166,464)	76,718
Total comprehensive income for the year				
Profit or loss	-	-	(30,742)	(30,742)
Other comprehensive income				
Increase/(decrease) in the revaluation of land and buildings	-	(788)	-	(788)
Remeasurement defined benefit superannuation liability	-	-	17,340	17,340
Transfer to retained earnings	-	-	-	-
Total other comprehensive income	-	(788)	17,340	16,552
Total comprehensive income for the year	-	(788)	(13,402)	(14,190)
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Equity contribution	10,000	-	-	10,000
Dividends to equity holders	-	-	-	-
Total contributions by and distributions to owners	10,000	-	-	10,000
Total transactions with owners	10,000	-	-	10,000
Balance at 30 June 2013	244,457	7,937	(179,866)	72,528

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

Statements of Changes in Equity

For the year ended 30 June 2014

Parent Entity	Contributed Equity	Property & General Revaluation Reserve	Retained Earnings/ (Accumu-lated losses)	Total Equity
	$'000	$'000	$'000	$'000
Balance at 01 July 2013	244,457	7,704	(178,176)	73,985
Total comprehensive income for the year				
Profit or (loss)	-	-	(40,578)	(40,578)
Other comprehensive income				
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	-
Total other comprehensive income	-	309	(2,079)	(1,770)
Total comprehensive income for the year	-	309	(42,657)	(42,348)
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Equity contribution	2,641	-	-	2,641
Tax effect on equity contribution	(792)	-	-	(792)
Dividends to equity holders	-	-	-	-
Total contributions by and distributions to owners	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
Restated Balance at 01 July 2012	234,457	8,546	(166,498)	76,505
Total comprehensive income for the year				
Profit or loss	-	-	(29,018)	(29,018)
Other comprehensive income				
Increase/(decrease) in the revaluation of land and buildings	-	(842)	-	(842)
Remeasurement defined benefit superannuation liability	-	-	17,340	17,340
Transfer to retained earnings	-	-	-	-
Total other comprehensive income	-	(842)	17,340	16,498
Total comprehensive income for the year	-	(842)	(11,678)	(12,520)
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Equity contribution	10,000	-	-	10,000
Dividends to equity holders	-	-	-	-
Total contributions by and distributions to owners	10,000	-	-	10,000
Total transactions with owners	10,000	-	-	10,000
Restated balance at 30 June 2013	244,457	7,704	(178,176)	73,985

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

statements OF FINANCIAL POSITION

Statements of Financial Position

As at 30 June 2014

	Note	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000
Current Assets					
Cash and cash equivalents	14(a)	**314**	1,485	**239**	1,380
Trade and other receivables	15	**15,162**	24,005	**14,852**	21,462
Inventories	16	**10,871**	11,414	**10,871**	11,414
Biological assets	17	**24,716**	17,424	**24,716**	17,424
Total Current Assets		**51,063**	54,328	**50,678**	51,680
Non Current Assets					
Trade and other receivables	15	**84**	84	**13,515**	10,977
Other investments	22	**575**	575	**575**	575
Investments accounted for using the equity method	21	**486**	484	**486**	484
Net deferred tax asset	12(c)	**-**	13,313	**1,543**	14,172
Property, plant and equipment	19	**38,674**	40,419	**21,088**	21,738
Forest estate assets	18	**85,260**	86,242	**85,260**	86,242
Biological assets	17	**61,367**	87,534	**61,367**	87,534
Intangible assets	20	**14**	38	**14**	38
Total Non Current Assets		**186,460**	228,689	**183,848**	221,760
Total Assets		**237,523**	283,017	**234,526**	273,440
Current Liabilities					
Trade and other payables	23	**14,821**	13,095	**14,738**	12,752
Revenue received in advance	24	**6,029**	11,925	**5,577**	11,417
Interest bearing liabilities	25	**221**	1,102	**200**	1,000
Obligations for non-commercial forest zones	26	**1,153**	665	**1,153**	665
Employee benefits	27	**10,168**	10,088	**10,168**	10,088
Total Current Liabilities		**32,392**	36,875	**31,836**	35,922
Non Current Liabilities					
Trade and other payables	23	**10**	10	**4,004**	1,458
Revenue received in advance	24	**20,621**	22,666	**15,306**	16,900
Interest bearing liabilities	25	**3,347**	5,763	**-**	-
Obligations for non-commercial forest zones	26	**6,747**	6,635	**6,747**	6,635
Employee benefits	27	**143,147**	138,540	**143,147**	138,540
Total Non Current Liabilities		**173,872**	173,614	**169,204**	163,533
Total Liabilities		**206,264**	210,489	**201,040**	199,455
Net Assets		**31,259**	72,528	**33,486**	73,985
Equity					
Contributed equity		**246,306**	244,457	**246,306**	244,457
Reserves		**8,246**	7,937	**8,013**	7,704
Retained earnings / (Accumulated losses)		**(223,293)**	(179,866)	**(220,833)**	(178,176)
Total Equity		**31,259**	72,528	**33,486**	73,985

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

statements OF CASH FLOWS

Statements of Cash Flows

For the year ended 30 June 2014

		Consolidated		Parent Entity	
		2014	2013	2014	2013
	Note	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Inflows:					
Cash receipts from customers		**129,307**	72,598	**123,258**	65,811
Softwood plantation forest right		**6,510**	-	**6,510**	-
Tasmanian Forest Agreement/World Heritage Area implementation funding	2(e)	**12,751**	4,498	**12,751**	4,498
Reimbursement for non-commercial activity costs	2(e)	**-**	20,000	**-**	20,000
Deficit funding	2(e)	**23,000**	15,000	**23,000**	15,000
Interest received	9	**553**	1,263	**553**	1,263
Outflows:					
Payments to suppliers and employees		**(158,115)**	(115,458)	**(154,972)**	(115,398)
Borrowing costs paid		**(180)**	(1,657)	**(180)**	(698)
Net cash provided by / (used in) operating activities	14(b)	**13,826**	(3,756)	**10,920**	(9,524)
Cash flows from investing activities					
Inflows:					
Proceeds from sale of investments		**50**	7,800	**50**	7,800
Proceeds from sale of property, plant and equipment		**29**	20	**29**	20
Tasmanian Forest Agreement/World Heritage Area implementation funding		**3,749**	2,000	**3,749**	2,000
Outflows:					
Payments to suppliers and employees for plantation forest activities		**(4,521)**	(4,485)	**(4,521)**	(4,485)
Payments for property, plant and equipment and other assets		**(10,568)**	(6,713)	**(10,568)**	(6,713)
Net cash provided by / (used in) investing activities		**(11,261)**	(1,378)	**(11,261)**	(1,378)
Cash flows from financing activities					
Inflows:					
Equity contribution		**-**	10,000	**-**	10,000
Outflows:					
Finance lease payments		**(2,936)**	(5,664)	**-**	-
Repayment of borrowings		**(800)**	(10,000)	**(800)**	(10,000)
Net cash provided by / (used in) financing activities		**(3,736)**	(5,664)	**(800)**	-
Net increase/(decrease) in cash and cash equivalents held		**(1,171)**	(10,798)	**(1,141)**	(10,902)
Cash and cash equivalents at the beginning of the year		**1,485**	12,283	**1,380**	12,282
Cash and cash equivalents at the end of the year	14(a)	**314**	1,485	**239**	1,380

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

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 2014 were authorised for issue by the Board of Directors on 11 August 2014.

(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. The methods used to measure fair values are disclosed in note 2(l). Obligations for non-commercial zones are disclosed in note 2(s). The superannuation liability is based on independent actuarial advice.

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.

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

The Board resolved that it is appropriate to prepare the financial statements on the basis that Forestry Tasmania is a going concern, whilst it is continuing a process of transition of its business model together with Government. The Government has confirmed that it will meet its legal obligations as owner of Forestry Tasmania, including financial obligations if required.

(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.

Accounting standards adopted

AASB 13 Fair value measurements - provides additional disclosure on the fair value measurement of assets [refer notes 18, 19 and 27] .

AASB 119 Employee benefits - all actuarial gains and losses are now recognised in other comprehensive income [refer notes 2(r) and 27], in accordance the comparatives have been restated.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 2(e) - Tasmanian Community Forest Agreement treatment
- Note 2(l) (i) - Biological assets - measurement of fair value less costs to sell
- Note 2(l) (iii) - Forest land - measurement of fair value
- Note 2(p) (ii) - Impairment of assets
- Note 2(r) - Provision for workers compensation - measurement of future liability
- Note 2(s) - Obligation for non-commercial zones
- Note 12 - Deferred Tax Asset on land
- Note 25 - Debt allocation
- Note 27 - Superannuation liability - measurement of defined benefit obligation

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. This includes a finance team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

The finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services are used to measure fair values, then the team assesses the evidence obtained from third parties to support 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 value 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: quotes 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, subject to impairment assessment, carried at cost. 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 of.

(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 are recognised when the ship departs port. A letter of credit is entered into for all export sales contracts other than those contracts handled through Japanese trading houses.

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 Newood 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 in revenue received in advance until expenditures have been incurred. (Refer note 24). Ongoing capital commitments under the TCFA funding are disclosed in note 28.

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.

Tasmanian Forest Agreement/World Heritage Area implementation funding

Government funding was provided in 2013-14 to construct new roads to enable logging to be rescheduled to coupes outside the extended Tasmanian Wilderness World Heritage Area (WHA) of an additional 170,000 hectares. It was also required for the transport of forest residues from the south and the north west of the State and also sawmill processing residues, both of which will assist in the move out of the WHA.

Reimbursement for non-commercial activity costs

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

Deficit funding

Deficit funding has provided certainty to Forestry Tasmania during the transition and implementation of the Tasmanian Forest Agreement (TFA).

Forestry rights

The proceeds received for the allocation of forestry rights is 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 13].

(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. 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. At 30 June 2014, the net carrying amount of leased plant, machinery and equipment was $ 3.366m (2013: $ 5.847m).

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 classified as a loan and receivable and stated at their amortised cost less impairment losses [refer note 2(p)(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 expended 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 establishment of additional and improvement of existing hardwood plantations to compensate for the loss of sustainable forest due to the creation of additional conservation reserves. TFA funding has been received to enable movement out of the proposed new reserve areas and the WHA extension.

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.

Investment in EcoCentre Trust - Forestry Tasmania is part shareholder in the EcoCentre building located at Scottsdale and valued at cost. Forestry Tasmania receives a distribution from the management trust and occupies the building for administration use for which it pays a market rental for the office space occupied.

(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. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Other non-trading derivatives

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) Forest estate assets – wholly owned estate

The forest estate assets comprises land and roads. To comply with AASB 141 Agriculture, the biological assets have been separately reported in note 17 of the accounts. The biological asset is separately reported in the Statement of Financial Position from the remaining forest estate assets (land and roads). Refer to note 2(l) below for valuation methodology to arrive at the values for these component assets.

Depreciation and amortisation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each road. Land is not depreciated.
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

(l) Biological assets

Forest estate valuation methodology

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.

With the passing of the TFA Act, Forestry Tasmania is responsible for the Permanent Timber Production Zone and the valuation reflects the quantities now available for harvest under that Act, that is, 137,000 cubic metres of high quality sawlog, 200,000 tonnes of eucalypt peeler logs and 870,000 tonnes of pulpwood associated with the high quality sawlog volume. There is legislation before the Tasmanian parliament to repeal this Act, however if this is passed it will not result in greater quantities of wood being available in the immediate future and no impact on woodflows has been modelled.

The valuation at 30 June 2013 included Government transition funding which was to be provided over the ensuing three years which is now reduced to those amounts available under rescheduling arrangements. This reduction in the revenues available is the predominant influence on the reduction in the valuation at 30 June 2014.

It is recognised that projected costs for administration, forest management, overheads and research and development must reduce in line with the reduced revenues available under the TFA Act. As an interim measure, these costs have been included in the valuation by adopting the full current cost of $89.06 per productive hectare in 2014/15, reducing progressively to the target rate of $71.20 per productive hectare over a period of four years.

The forest estate is valued as a whole incorporating land and roads. Land is valued at nil, roads at cost less depreciation and impairment; thus the value of the biological asset (trees) is the residual amount.

A discount rate of 9.4% has been applied by the valuer to further reflect the greater certainty that exists following the passing of the TFA Act compared with the rate of 9.7% used last year.

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 fair value of the land and roads are deducted from the full value derived from the income capitalisation value.

The valuation methodology divides the current forest under management into the following three 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(s)].
- Formal forest reserves: Those forest areas that were subject to formal legislation restricting any forest production (Forest Reserves under Clause 20 of the Forestry Act). These have since been transferred to Parks and Wildlife Service in January 2014.

(Special timber zone comprises the non-commercial zone , while in prior years the special timber zone and the formal forest reserve zone comprise the non-commercial zones)

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(s) and 26.

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: For all three wholly owned forest zones, a pre-tax real discount rate of 9.4% (2013:9.7%) is used. This discount rate is a market-based rate.
- 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 TFA as 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 hectarage of each forest zone.

  Costs associated with harvesting and transporting of timber are excluded given stumpage rates 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:

- Price: a 5% increase will increase the valuation of the biological asset by $20 million.
- Discount rate: a 1% increase will decrease the valuation of the biological asset by $15 million and a 1% decrease will increase the valuation by $18 million.
- Cost: a 5% increase will decrease the valuation of the biological asset by $14 million.

i) 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.

ii) Roads

The carrying amount of the roads is deducted from the forest estate valuation derived from the methodology described above and recognised separately in the Statement of Financial Position within 'Forest Estate Assets'. The major and minor roads and road structures are reported at cost less depreciation and any impairment. With the passing of the TFA Act in 2013 the Directors estimated that 28% of roads now fall within the future reserve areas and have impaired roads accordingly. Otherwise the Directors are satisfied that the carrying amount materially equates to fair value. Accordingly, this supports the appropriateness of deducting the carrying amount of roads from the forest estate valuation.

iii) 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. Land held in informal reserves is not valued as these areas will not be used for production forestry and therefore do not provide an economic return to Forestry Tasmania. These obligations have been recognised as a liability. (See note 2(s))

(m) 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.

(n) 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.

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. Leased assets 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.

(o) 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 (2013: 5 years). The remaining lives of intangible assets range between 1-5 years.

Research and development expenditure is charged to the comprehensive income statement 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 $1.986m (2013: $2.205m).

(p) 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.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. This reversal will be taken to profit or loss.

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.

(q) 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.

(r) Employee benefits

i) Defined contribution plans

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 is realisable during the life of the plan, or on settlement of the plan liabilities.

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 change in presentation of actuarial gains/losses changes the Net profit/(loss) after tax for 2012/13 from ($13.402m) to ($40.578m). There is no change to the overall total comprehensive income/(expense).

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 2014. The provision also includes an allowance for incurred but unreported claims at 30 June 2014.

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.

(s) Obligations for non-commercial zones

Forestry Tasmania undertakes a number of non-commercial activities in non-production forest zones which have significant community benefit and which are currently unfunded. 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 have no offsetting revenue. Forestry Tasmania considers these obligations are an implied term of its existing forest management rights. Obligations 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 recognises there are also costs associated with the production forest zone (See note 2(l)); these costs have not been separately identified at this time.

Forestry Tasmania has determined that it has both a legal and constructive obligation in respect to the non-commercial forest zones and accordingly has recognised 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 obligation 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(l) 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.

(t) 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(n).

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.

(u) 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.

(v) Equity

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. They are available for early adoption at 30 June 2014, but have not been applied in preparing these financial statements. 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' - In October 2010 the IASB issued IFRS 9 Financial Instruments (IFRS 9 [2010]) with an effective date of 1 January 2013. IFRS 9 (2010) supersedes the previous version that was issued in November 2009 (IFRS 9 [2009]). The AASB in 2014 deferred the effective date of both these standards to 1 January 2018. Early adopters may elect to apply IFRS 9 (2010) or IFRS 9 (2009) for periods beginning before 1 January 2018. This standard forms part of the IASB's comprehensive project to replace IAS 39 (AASB 139). The standard represents a significant change in the accounting for financial assets and liabilities, including hedging arrangements. The impacts of these amendments, which become mandatory for Forestry Tasmania's 30 June 2019 financial statements, have not yet been quantified, however it will impact the level of disclosure around financial instruments.

Amendments to various Australian Accounting Standards (AASB 2014-1 and 2013-9) – Annual Improvements Cycle – These amendments relate to: operating segment asset disclosures; current/non-current classification of debt; meaning of effective IFRS's; exemptions of joint ventures from business combination requirements; scope exception for measuring the fair value of financial assets and liabilities on a portfolio basis; employee or third party contributions that meet certain criteria are able (but not required to) to be recognised as a reduction of the service cost in the period in which the service is rendered and; and delete references to AASB 1031 as part of the AASB's program to withdraw AASB 1031 'Materiality'. The amendments, which become mandatory for Forestry Tasmania's 30 June 2015 financial statements, are not expected to have material impact.

Amendments to Australian Accounting Standard 136 – Recoverable amount disclosures for non-financial assets – These amendments remove the extra disclosure requirements with regard to measurement of the recoverable amount of impaired assets as introduced by AASB 13. The amendments, which become mandatory for Forestry Tasmania's 30 June 2015 financial statements, are not expected to have material impact.

Amendments to Australian Accounting Standard 132 – Offsetting financial assets and financial liabilities – These amendments clarify when an entity has a legally enforceable right to set-off financial assets and financial liabilities permitting entities to present balances net on the balance sheet. The amendments, which become mandatory for Forestry Tasmania's 30 June 2015 financial statements, are not expected to have material impact.

Interpretation 21 'Levies'– This new interpretation provides clarity on when a liability should be recognised in respect of a levy in accordance with AASB 137. The interpretation, which becomes mandatory for Forestry Tasmania's 30 June 2015 financial statements, are not expected to have material impact.

IFRS 15 'Revenue from contracts with customers': This standard, awaiting approval by the AASB, contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised. The standard, if approved by the AASB, would become mandatory for Forestry Tasmania's 30 June 2018 financial statements. The impact on the financial statements has not yet been considered.

Amendments to Australian Accounting Standards IAS 16 (AASB 116) and IAS 38 (AASB 138) – Clarification of acceptable methods of depreciation and amortisation – This amendment, awaiting approval by the AASB, introduces a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is appropriate with limited opportunity for presumption to be overcome. Clarifies that revenue-based depreciation for property, plant and equipment cannot be used. The amendments, if approved by the AASB, would become mandatory for Forestry Tasmania's 30 June 2017 financial statements. The impact on the financial statements has not yet been considered.

Amendments to Australian Accounting Standard IFRS 11 (AASB 11) – Accounting for acquisition of interests in joint operations – This amendment, awaiting approval by the AASB, introduces a requirement for business combination accounting to be applied to acquisitions of interests in a joint operation that meets the definition of a business. The amendments, if approved by the AASB, would become mandatory for Forestry Tasmania's 30 June 2017 financial statements. The impact on the financial statements has not yet been considered.

	Note	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000
4 Revenue from forest sales					
Sales revenue		**95,804**	56,338	**95,804**	56,338
		95,804	56,338	**95,804**	56,338
5 Other income					
Forest management services income		**1,240**	2,973	**1,240**	2,973
Government grants		**342**	567	**40**	266
Firefighting reimbursement of above average firefighting costs		**2,080**	4,338	**2,080**	4,338
Nursery and seed sales		**363**	230	**363**	230
Tourism revenue		**1,860**	1,790	**1,860**	1,790
Proponent infrastructure fees		**150**	150	**-**	-
Forest lease		**517**	805	**517**	805
Consulting income		**916**	663	**916**	663
Proceeds from softwood plantation forest right sale		**6,510**	-	**6,510**	-
Other revenue		**5,255**	4,767	**4,070**	2,650
		19,233	16,283	**17,596**	13,715

The fire fighting reimbursement received in (5) above, is the difference between the total variable costs incurred in the year fighting wildfires and the ten year average cost incurred on wildfire fighting. 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.

	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000
Government funding of trading revenue				
Reimbursement for non-commercial activity costs	**-**	20,000	**-**	20,000
Deficit funding	**23,000**	15,000	**23,000**	15,000
Tasmanian Forest Agreement/World Heritage Area implementation funding representing costs incurred to date	**14,451**	1,742	**14,451**	1,742
	37,451	36,742	**37,451**	36,742

The Tasmanian Forest Agreement/World Heritage Area implementation funding consists of transport assistance for north west and southern residues of $8.258 million, transport of cable residue of $0.964 million, harvesting of $2.087 million being the gap between conventional and cable harvest, plantation thinning and establishment of $2.0 million and forest stewardship certification of $1.142 million.

	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000
6 Tasmanian Community Forest Agreement income				
Grant income for operating activities now earned	**606**	885	**606**	885
Grant income for intensive forest management plantation activities now earned	**3,201**	9,127	**3,201**	9,127
	3,807	10,012	**3,807**	10,012

	Note	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000
7 Expenses from operations					
7a Expenses from operations					
7a(i) Payments to contractors and other sales costs					
Payments to contractors		**82,106**	45,530	**82,106**	45,530
Other sales costs		**13,026**	8,276	**13,026**	8,276
Freight		**3,283**	4,108	**3,283**	4,108
		98,415	57,914	**98,415**	57,914
7a(ii) Other expenses					
Vehicle lease and associated costs		**3,521**	3,884	**3,521**	3,884
Local government rates		**2,163**	2,631	**2,136**	2,580
Property rental		**2,499**	2,996	**2,499**	2,996
Office expenses		**2,021**	2,222	**2,021**	2,222
Consultancies and professional services		**1,816**	1,452	**1,798**	1,433
Property management		**1,484**	1,764	**1,321**	1,273
Minor equipment purchases and rentals		**826**	778	**826**	778
Guarantee fees		**77**	-	**77**	-
Information technology expense		**685**	697	**685**	697
Travel and accommodation		**492**	569	**492**	569
Operating lease rentals		**631**	492	**631**	492
Buildings revaluation decrement		**1**	138	**1**	138
Impairment of receivables		**102**	510	**102**	973
Other		**2,444**	2,937	**2,399**	2,521
		18,762	21,070	**18,509**	20,556
7a(iii) Depreciation and amortisation expense					
Plant and equipment	19	**755**	849	**755**	849
Plant and equipment under finance lease	19	**925**	925	**-**	-
Site infrastructure works	19	**170**	170	**-**	-
Roads and road structures	18	**6,343**	7,173	**6,343**	7,173
Buildings and leasehold improvements	19	**437**	515	**437**	515
Intangibles	20	**24**	37	**24**	37
		8,654	9,669	**7,559**	8,574
7a(iv) Employee benefits expense					
Salaries and wages		**22,079**	22,914	**22,079**	22,914
Other associated expenses		**378**	336	**378**	336
Contribution to defined contribution superannuation funds		**3,588**	2,327	**3,588**	2,327
Employee service cost defined benefit plan	27	**2,215**	2,625	**2,215**	2,625
		28,260	28,202	**28,260**	28,202
		154,091	116,855	**152,743**	115,246

	Note	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000
8 Impairment of roads within new reserves	18	-	27,748	-	27,748
9 Finance income and expense					
Recognised in profit or loss:					
Interest income		**553**	1,404	**553**	1,404
Foreign exchange gains		**273**	-	**273**	-
Total Finance income		**826**	1,404	**826**	1,404
Borrowing costs		**(180)**	(698)	**(180)**	(698)
Finance charge related to finance lease		**(439)**	(959)	**-**	-
Foreign exchange losses		**-**	(393)	**-**	(393)
Employee benefit superannuation interest costs		**(5,976)**	(5,627)	**(5,976)**	(5,627)
Total Finance expense		**(6,595)**	(7,677)	**(6,156)**	(6,718)
10 Loss on sale of assets		**563**	440	**563**	440
		563	440	**563**	440
Reconciliation					
Asset cost		**3,245**	922	**3,245**	922
Written down value		**591**	468	**591**	468
Proceeds from sale		**(28)**	(28)	**(28)**	(28)
(Gain)/loss on sale of assets		**563**	440	**563**	440

11 Movement in valuation of standing timber

The impact that the increment/(decrement) in the valuation of the standing timber asset has on the results of the organisation is reconciled as follows:

	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000
Gross increase/(decrease) in the valuation of the permanent timber production zone	**(18,875)**	(42,902)	**(18,875)**	(42,902)
Less current year plantation establishment costs and future crop expenditure (primarily contractor expenses) incurred during the financial year	**(4,521)**	(4,485)	**(4,521)**	(4,485)
Net impact on net profit/(loss) attributable to the owners of Forestry Tasmania	**(23,396)**	(47,387)	**(23,396)**	(47,387)

The movement in valuation of standing timber primarily arose due to the reduction in revenue expected from government grants. The reduction in value has no impact on the cash flows of the Group and is accounted for in other expenses as identified in the Statement of Profit or Loss and Other Comprehensive Income.

12 Taxation

	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000
a) Current tax (expense)/benefit				
Adjustments for prior periods	**2**	8	**-**	8
Increase/(decrease) in deferred tax asset	**(19,990)**	(19,919)	**(19,212)**	(19,696)
(Increase)/decrease in deferred tax liability	**6,678**	13,347	**6,522**	14,871
Movement posted direct to other comprehensive income	**(1,022)**	7,431	**(1,022)**	7,431
Movement posted direct to equity reserve	**1,056**	(338)	**1,056**	(361)
	(13,276)	529	**(12,656)**	2,253

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 now in the TFA reserve area.

	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000
b) Reconciliation between tax expense/(benefit) and pre tax net profit/(loss)				
Profit/(loss) before tax	**(28,072)**	(31,271)	**(27,922)**	(31,271)
Income tax (expense) benefit using the domestic tax rate of 30% (2013:30%)	**8,422**	9,381	**8,377**	9,381
Expenditure not allowable for income tax purposes	**(5)**	(6)	**(5)**	(6)
Equity accounting loss for Newood	**-**	-	**-**	121
Derecognition of net deferred tax asset of the Tax Consolidated Group	**(21,108)**	-	**(21,108)**	-
Derecognition of cost base on assets as a result of implementation of the TFA	**-**	(7,345)	**-**	(7,345)
Derecognition of capital assets of Newood	**(667)**	(1,603)	**-**	-
Research and development	**80**	94	**80**	94
Less prior year under / over provision	**2**	8	**-**	8
Income tax (expense)/benefit on pre tax net profit	**(13,276)**	529	**(12,656)**	2,253
c) Deferred tax balances				
Assets				
Non current	**37,072**	57,063	**36,763**	55,914
Liabilities				
Non current	**37,072**	43,750	**35,220**	41,742
Net tax asset/(liability)	**-**	13,313	**1,543**	14,172

12 Taxation (continued)

d) Reconciliation of deferred tax balances ($000)

	Consolidated – 2014					
	Opening balance	Under/Over	Statement of Comprehen-sive Income	Transferred from Subsidiary	Charged to equity	**Closing balance**
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**
Transfer of deferred tax liability	**(43,750)**					**(37,072)**
Transfer deferred tax asset						**-**
Derecognition of Net deferred tax assets	**-**	-	(21,108)			**(21,108)**
Total	**13,313**	**-**	**(19,199)**	**-**	**(792)**	**-**
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 of deferred tax asset	**43,750**					
Transfer deferred tax liability						**37,072**
Total	**-**	**-**	**6,942**	**-**	**(264)**	**-**
Net deferred tax assets/(liabilities)	**13,313**	**-**	**(12,257)**	**-**	**(1,056)**	**-**

12 Taxation (continued)

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

	Consolidated – 2013					
	Opening balance	Under/Over	Statement of Comprehensive Income	Transferred from Subsidiary	Charged to equity	**Closing balance**
Deferred tax assets						
Employee benefits	**51,438**	-	(6,851)	-	-	**44,587**
Revenue received in advance	**1,515**	-	(287)	-	-	**1,228**
Receivables and other investments	**2,347**	-	(312)	-	-	**2,035**
Other provisions	**241**	-	224	-	-	**465**
Obligations for non-commercial zones	**16,590**	-	(14,400)	-	-	**2,190**
Revenue losses	**4,842**	8	1,707	-	-	**6,557**
Transfer of deferred tax liability						**(43,750)**
Transfer deferred tax asset	**(76,974)**		-			
Total	**-**	**8**	**(19,919)**	**-**	**-**	**13,313**
Deferred tax liabilities						
Biological assets	**(43,934)**	-	12,870	-	-	**(31,064)**
Inventories	**(2,372)**	-	437	-	-	**(1,935)**
Property, plant, equipment and land	**(10,694)**	-	(370)	-	338	**(10,726)**
Other	**(97)**	-	72	-	-	**(25)**
Transfer of deferred tax asset	**57,063**					
Transfer deferred tax liability						**43,750**
Total	**(34)**	**-**	**13,009**	**-**	**338**	**-**
Net deferred tax assets/(liabilities)	**(34)**	**8**	**(6,910)**	**-**	**338**	**13,313**

12 Taxation (continued)

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

	Parent Entity – 2014					
	Opening balance	Under/Over	Statement of Comprehensive Income	Transferred from Subsidiary	Charged to equity	**Closing balance**
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**
Transfer of deferred tax liability	**(41,742)**					**(35,220)**
Transfer deferred tax asset						**-**
Derecognition of Net deferred tax assets			(21,108)			**(21,108)**
Total	**14,172**	**-**	**(18,420)**	**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)**
Other	**-**	-	-	-	-	**-**
Transfer of deferred tax asset	**-**					
Transfer deferred tax liability	**(41,742)**					**35,220**
Total		**-**	**6,786**	**-**	**(264)**	**-**
Net deferred tax assets/(liabilities)	**14,172**	**-**	**(11,634)**	**61**	**(1,056)**	**1,543**

12 Taxation (continued)

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

	Parent Entity – 2013					
	Opening balance	Under/Over	Statement of Comprehensive Income	Transferred from Subsidiary	Charged to equity	**Closing balance**
Deferred tax assets						
Employee benefits	**51,439**	-	(6,852)	-	-	**44,587**
Revenue received in advance	**164**	-	(106)	-	-	**58**
Receivables and other investments	**2,132**	-	(79)	-	-	**2,053**
Other provisions	**297**	-	172	-	-	**469**
Obligations for non-commercial zones	**16,590**	-	(14,400)	-	-	**2,190**
Investments in wholly owned subsidiaries	**17**	-	(17)	-	-	**-**
Revenue losses	**4,841**	8	1,586	122	-	**6,557**
Transfer of deferred tax liability						**(41,742)**
Transfer deferred tax asset	**(75,480)**					
Total	**-**	**8**	**(19,696)**	**122**	**-**	**14,172**
Deferred tax liabilities						
Biological assets	**(43,934)**	-	12,870	-	-	**(31,064)**
Inventories	**(2,372)**	-	437	-	-	**(1,935)**
Property, plant, equipment and land	**(10,275)**	-	1,170	-	361	**(8,744)**
Other	**(34)**	-	34	-	-	**-**
Transfer of deferred tax asset	**55,914**					
Transfer deferred tax liability						**41,742**
Total	**(700)**	**-**	**14,511**	**-**	**361**	**-**
Net deferred tax assets/(liabilities)	**(700)**	**8**	**(5,185)**	**122**	**361**	**14,172**

13 Dividends

No dividend was paid during the 2013/14 financial year in relation to 2012/13 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.

	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000

14 Cash and cash equivalents

(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:

	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000
Cash	**294**	1,452	**219**	1,347
Floats and advances	**20**	33	**20**	33
	314	1,485	**239**	1,380

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

	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000
Net profit/(loss) after tax	**(41,348)**	(30,742)	**(40,578)**	(29,018)
Add/(less) items classified as investing/financing activities:				
(Profit)/loss on disposal of non current assets	**563**	440	**563**	440
Add/(less) non-cash items:				
Depreciation and amortisation	**8,654**	9,669	**7,559**	8,574
Income tax	**13,276**	(529)	**12,656**	(2,253)
Biological asset valuation increment /(decrement)	**18,875**	42,902	**18,875**	42,902
Current year plantation costs	**4,521**	4,485	**4,521**	4,485
Movement in obligations for non-commercial zones	**600**	(48,000)	**600**	(48,000)
Impairment of buildings and roads	**1**	27,886	**1**	27,886
Share of joint venture entities net (profit)/loss	**(52)**	(57)	**(52)**	(57)
Tasmanian Community Forest Agreement - capital activities	**(3,201)**	(9,127)	**(3,201)**	(9,127)
Finance lease	**439**	959	**-**	-
Changes in assets and liabilities:				
(Increase)/decrease in current receivables	**8,882**	(6,290)	**6,649**	(4,988)
(Increase)/decrease in non current receivables	**-**	(8)	**(2,538)**	(18)
(Increase)/decrease in inventories	**543**	1,935	**543**	1,935
(Increase)/decrease in other current assets	**(39)**	50	**(39)**	50
Increase/(decrease) in current liabilities	**(450)**	5,870	**2,348**	413
Increase/(decrease) in non current liabilities	**2,562**	(3,199)	**3,013**	(2,748)
Net cash provided by operating activities	**13,826**	(3,756)	**10,920**	(9,524)

	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000
15 Trade and other receivables				
Current				
Trade and other receivables	**19,901**	30,231	**19,665**	27,751
Less provision for impairment	**(5,350)**	(6,850)	**(5,350)**	(6,850)
Accrued revenue	**85**	137	**11**	74
Prepayments	**526**	487	**526**	487
Total current receivables	**15,162**	24,005	**14,852**	21,462
Non-current				
Intercompany loan Newood	**-**	-	**13,431**	10,893
Other	**84**	84	**84**	84
Total non-current receivables	**84**	84	**13,515**	10,977
16 Inventories				
Gravel stocks at cost	**2,635**	2,632	**2,635**	2,632
Seed and seedlings at cost	**3,117**	3,530	**3,117**	3,530
Timber at cost	**4,807**	4,964	**4,807**	4,964
Stores general at cost	**312**	288	**312**	288
	10,871	11,414	**10,871**	11,414
17 Biological assets				
Current				
Standing timber at valuation	**24,716**	17,424	**24,716**	17,424
Non-current				
Standing timber at valuation	**61,367**	87,534	**61,367**	87,534
	86,083	104,958	**86,083**	104,958

Reconciliation of biological assets ($000)

	Consolidated $'000	Parent Entity $'000
Carrying amount at 1 July 2013	104,958	104,958
Additions (note 11)	4,521	4,521
Reallocation to Statement of Comprehensive Income (note 11)	(4,521)	(4,521)
Revaluation/(devaluation)	(18,875)	(18,875)
Carrying amount at 30 June 2014	**86,083**	**86,083**
Carrying amount at 1 July 2012	147,860	147,860
Additions (note 11)	4,485	4,485
Reallocation to Statement of Comprehensive Income (note 11)	(4,485)	(4,485)
Revaluation/(devaluation)	(42,902)	(42,902)
Carrying amount at 30 June 2013	**104,958**	**104,958**

The independent valuation conducted by Sewall determined in the year ended 30 June 2010, that no positive 'commercial in use' value could be attributed to forest land given the constraints applied under the Forestry Act. In addition, title for this land rests with the Crown, not with Forestry Tasmania. Based on this information, the Directors impaired the forest land asset to a zero carrying value as 30 June 2010 (See note 2(l)(iii)). Subsequent valuations by Sewall reconfirmed this treatment.

Fair value measurement

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurement:

Description	Fair value at 30 June 2014 $'000	Unobservable inputs	Inputs	Relationship of unobservable inputs to fair value
Forest estate incorporating biological asset and land	86,083	Price	5% increase	value increases $20m
		Discount rate	1% increase	value decreases $15m
		Discount rate	1% decrease	value increases $18m
		Cost	5% increase	value decreases $14m

Commitments associated with the development of biological assets

As noted in note 2(e) funds have been received in advance under the TCFA which is an agreement signed by the State and Commonwealth to supplement the provisions of the Regional Forest Agreement (RFA). All TCFA funds have been received by Forestry Tasmania and will be used for the establishment of additional, and improvement of existing, hardwood plantations to compensate for the loss of sustainable forest due to the creation of additional conservation reserves. As at 30 June 2014, there remains $0.0 million (2013 : $0.4 million) of works to be acquitted against the TCFA intensive forest management program.

	Consolidated		Parent Entity	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
18 Forest estate assets				
Roads and road structures at cost	**283,040**	277,680	**283,040**	277,680
Road impairment for roads within new reserves	**(27,748)**	(27,748)	**(27,748)**	(27,748)
Less accumulated provision for depreciation	**(170,032)**	(163,690)	**(170,032)**	(163,690)
	85,260	86,242	**85,260**	86,242

Reconciliation of forest estate assets ($000)

	Consolidated		Parent Entity	
	Roads and Structures	Total	Roads and Structures	Total
	$'000	$'000	$'000	$'000
Carrying amount at beginning of year 1 July 2013	86,242	86,242	86,242	86,242
Additions	3,540	3,540	3,540	3,540
Net movement in work in progress	1,820	1,820	1,820	1,820
Depreciation	(6,342)	(6,342)	(6,342)	(6,342)
Carrying amount at 30 June 2014	**85,260**	**85,260**	**85,260**	**85,260**
Carrying amount at beginning of year 1 July 2012	116,140	116,140	116,140	116,140
Additions	4,304	4,304	4,304	4,304
Disposal/reallocation	**(27,748)**	**(27,748)**	**(27,748)**	**(27,748)**
Net movement in work in progress	719	719	719	719
Depreciation	(7,173)	(7,173)	(7,173)	(7,173)
Carrying amount at 30 June 2013	**86,242**	**86,242**	**86,242**	**86,242**

	Consolidated		Parent Entity	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
19 Property, plant and equipment				
Land under buildings at fair value	**3,112**	3,218	**2,662**	2,768
Buildings at fair value	**11,713**	11,423	**11,713**	11,423
Transmission line asset at fair value	**14,811**	14,811	**-**	-
Plant and equipment at cost	**14,564**	15,387	**14,564**	15,387
Site infrastructure at cost	**6,846**	6,846	**-**	-
Pre-development works at cost	**3,405**	3,405	**-**	-
Capital work in progress	**225**	121	**225**	121
Less accumulated depreciation	**(15,927)**	(14,715)	**(8,001)**	(7,884)
Less accumulated impairment losses	**(75)**	(77)	**(75)**	(77)
Total property, plant and equipment	**38,674**	40,419	**21,088**	21,738

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.

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

	Consolidated							
	Land	Buildings	Trans-mission line	Plant & equipment	Site infra-structure works	Pre-develop-ment costs	Capital work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'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
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 2012	3,188	12,615	11,800	3,845	4,989	2,540	4,021	42,997
Additions	-	581	-	4,932	-	-	2,053	7,566
Disposals	-	-	-	(496)	-	-	-	(496)
Revaluation	30	(1,293)	-	-	-	-	-	(1,263)
Impairment	-	-	-	29	-	-	-	29
Movement in work in progress	-	-	-	-	-	-	(5,953)	(5,953)
Depreciation	-	(515)	(594)	(849)	(333)	(170)	-	(2,461)
Carrying amount at 30 June 2013	**3,218**	**11,388**	**11,206**	**7,461**	**4,656**	**2,370**	**121**	**40,419**
Original cost of assets 30 June 2014	**2,168**	**21,509**	**14,811**	**17,294**	**6,828**	**3,405**		**66,015**

19 Property, plant and equipment (continued)

	Parent Entity							
	Land	Buildings	Trans-mission line	Plant & equipment	Site infra-structure works	Pre-develop-ment costs	Capital work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'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 2012	2,814	12,615	-	3,845	-	-	4,021	23,295
Additions	-	581	-	4,932	-	-	2,053	7,566
Disposals	-	-	-	(496)	-	-	-	(496)
Revaluation	(46)	(1,293)	-	-	-	-	-	(1,339)
Movement in work in progress	-	-	-	-	-	-	(5,953)	(5,953)
Depreciation	-	(515)	-	(849)	-	-	-	(1,364)
Carrying amount at 30 June 2013	**2,768**	**11,388**	**-**	**7,461**	**-**	**-**	**120**	**21,738**
Carrying amount at 30 June 2014	**1,794**	**21,509**	**-**	**17,294**	**-**	**-**	**-**	**40,597**

Impairment of assets

Forestry Tasmania has completed impairment testing of its property, plant and equipment assets. No impairment loss has been recognised in the profit and loss during 2014 (2013: $ nil).

	Consolidated		Parent Entity	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
20 Intangible assets at cost				
Forestry Tasmania's intangible assets relate to the development costs of internally produced software.				
Software development	**722**	2,733	**722**	2,733
Less provision for amortisation	**(708)**	(2,695)	**(708)**	(2,695)
	14	38	**14**	38

20 Intangible assets (continued)

	Consolidated			Parent Entity		
	Software	Work in Progress	Total	Software	Work in Progress	Total
	$000	$'000	$'000	$000	$’000	$'000
Carrying amount at 1 July 2013	38	-	38	38	-	38
Amortisation	(24)	-	(24)	(24)	-	(24)
Carrying amount at 30 June 2014	**14**	**-**	**14**	**14**	**-**	**14**
Carrying amount at 1 July 2012	77	-	77	77	-	77
Disposal/reallocation	(1)	-	(1)	(1)	-	(1)
Amortisation	(38)	-	(38)	(38)	-	(38)
Carrying amount at 30 June 2013	**38**	**-**	**38**	**38**	**-**	**38**

	Consolidated		Parent Entity	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000

21 Investments accounted for using the equity method

Investment in Hollybank Treetops Adventure Pty Ltd	**486**	484	**486**	484

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.

(a) Contribution to Forestry Tasmania from joint venture entities				
Revenues from continuing operations	**606**	599	**606**	599
Expenses from continuing operations	**(555)**	(542)	**(555)**	(542)
Profit/(loss) from continuing operations	**52**	57	**52**	57
Net profit/(loss) – accounted for using the equity method	**52**	57	**52**	57
(b) Statement of financial position				
Current assets	**94**	74	**94**	74
Non-current assets	**449**	477	**449**	477
Total assets	**543**	551	**543**	551
Current liabilities	**(23)**	(20)	**(23)**	(20)
Non-current liabilities	**(34)**	(47)	**(34)**	(47)
Total liabilities	**(57)**	(67)	**(57)**	(67)
Net assets	**486**	484	**486**	484

	Consolidated		Parent Entity	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
21 Investments accounted for using the equity method (continued)				
(c) Reconciliations				
Share of post-acquisition retained profits attributable to joint venture entities				
Share of joint venture entities' retained profit/(losses) at beginning of year	**484**	427	**484**	427
Dividend distribution	**(50)**	-	**(50)**	-
Share of joint venture entities' net profit/(losses)	**52**	57	**52**	57
Share of joint venture entities' retained profit/(losses) at end of year	**486**	484	**486**	484
Movement in carrying amount of joint ventures				
Carrying amount at beginning of year	**484**	427	**484**	427
Dividend distribution	**(50)**	-	**(50)**	-
Share of joint venture entities' net profits/(losses)	**52**	57	**52**	57
Carrying amount at end of year	**486**	484	**486**	484
22 Other investments				
Non current				
Investment in infrastructure assets - Eco Centre trust	**570**	570	**570**	570
Investment in Huon Valley Financials Pty Ltd	**5**	5	**5**	5
	575	575	**575**	575
23 Trade and other payables				
Current				
Trade creditors and other payables	**9,656**	8,863	**9,659**	8,667
Accrued expenses	**5,049**	3,871	**4,963**	3,724
Derivative liability	**116**	361	**116**	361
Total current payables	**14,821**	13,095	**14,738**	12,752
Non-current				
Trade creditors	**10**	10	**4,004**	1,458
	10	**10**	**4,004**	**1,458**

	Consolidated		Parent Entity	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
24 Revenue received in advance				
Current	**6,029**	11,925	**5,577**	11,417
Non-current	**20,621**	22,666	**15,306**	16,900
	26,650	34,591	**20,883**	28,317
Reconciliation of revenue received in advance ($000)				
Tasmanian Community Forest Agreement				
Opening balance	**23,223**	33,235	**23,223**	33,235
Tasmanian Community Forest Agreement income – operating activities	**(606)**	(885)	**(606)**	(885)
Tasmanian Community Forest Agreement income – intensive forest management	**(3,201)**	(9,127)	**(3,201)**	(9,127)
Closing balance	**19,416**	23,223	**19,416**	23,223
Tasmanian Forest Agreement				
Opening balance	**4,758**	-	**4,758**	-
Receipts	**16,500**	6,500	**16,500**	6,500
Tasmanian Forest Agreement/World Heritage Area implementation funding	**(20,126)**	(1,742)	**(20,126)**	(1,742)
Closing balance	**1,132**	4,758	**1,132**	4,758
Other revenue received in advance				
Opening balance	**6,610**	7,476	**336**	809
Receipts	**454**	185	**454**	185
Transfer to offset assets	**-**	(524)	**-**	(524)
Other activities	**(962)**	(527)	**(455)**	(134)
Closing balance	**6,102**	6,610	**335**	336
Closing balance 30 June 2014	**26,650**	34,591	**20,883**	28,317
25 Interest bearing liabilities				
Current				
Borrowings	**200**	1,000	**200**	1,000
Finance lease	**21**	102	**-**	-
	221	1,102	**200**	1,000
Non-current				
Finance lease	**3,347**	5,763	**-**	-
Total	**3,347**	**5,763**	**-**	**-**
Financing arrangements				
The Group has access to the following lines of credit:				
Total facilities available:				
Credit cards	**800**	800	**800**	800
Loan facility – secured	**31,000**	31,000	**31,000**	31,000
	31,800	31,800	**31,800**	31,800
Facilities used at balance date:				
Credit cards	**47**	64	**47**	64
Loan facility – secured	**200**	1,000	**200**	1,000
	247	1,064	**247**	1,064
Facilities not utilised at balance date:				
Credit cards	**753**	736	**753**	736
Loan facility – secured	**30,800**	30,000	**30,800**	30,000
	31,553	30,736	**31,553**	30,736

25 Interest bearing liabilities (continued)

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% (2013:17.99%), payable monthly.

Foreign Currency Overdraft Limit

Forestry Tasmania has a US$2.0 million foreign currency overdraft to facilitate foreign currency dealings. (2013: $2.0 million)

Loan Facility – Secured

Forestry Tasmania has no long term fixed borrowings, (2013: $nil million). The loans are secured by a floating charge over Forestry Tasmania's trade and other receivables. Refer to note 15 for the carrying amount of trade and other receivables which Forestry Tasmania have pledged as security.

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

The Treasurer has provided a Letter of Comfort to Tascorp to support Forestry Tasmania's borrowing limit of $31 million.

Finance Lease

The finance lease between Newood 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	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
26 Obligations for non-commercial forest zones				
Current	**1,153**	665	**1,153**	665
Non-current	**6,747**	6,635	**6,747**	6,635
	7,900	7,300	**7,900**	7,300

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.

The forest valuation for 2013 recognised that 220,000 hectares of formal reserves would transfer to the Department of Primary Industries, Parks, Water and Environment by 31 December 2013 and their obligations would also transfer.

27 Employee benefits

	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000
Current				
Annual leave	**1,263**	1,386	**1,263**	1,386
Long service leave	**2,742**	3,203	**2,742**	3,203
Superannuation (see note below)	**5,858**	5,060	**5,858**	5,060
Workers compensation	**305**	439	**305**	439
	10,168	10,088	**10,168**	10,088
Non-current				
Long service leave	**197**	265	**197**	265
Superannuation (see note below)	**142,950**	138,275	**142,950**	138,275
	143,147	138,540	**143,147**	138,540

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 2.55% to 3.66% (2013 range 2.69% to 3.15%).		
Settlement terms (years) – long service leave	**10 years**	10 years

	2014 $'000	2013 $'000

27 Employee benefits (continued)

(a) Superannuation liability

	2014	2013
Key assumptions		
Assumptions to Determine Defined Benefit Cost and Start of Year DBO		
Discount rate (active members)	**4.25%**	3.45%
Discount rate (pensioners)	**4.25%**	3.45%
Expected rate of increase of compulsory preserved amounts	**3.75%**	3.75%
Expected salary increase rate	**3.00%**	3.50%
Expected pension increase rate	**2.50%**	2.50%
Assumptions to Determine End of Year DBO		
Discount rate (active members)	**4.10%**	4.25%
Discount rate (pensioners)	**4.10%**	4.25%
Expected rate of increase of compulsory preserved amounts	**3.00%**	3.00%
Expected salary increase rate	**4.50%**	3.75%
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

	Base Case	**Scenario A**	**Scenario B**	**Scenario C**	**Scenario D**
Discount rate (pa)	4.10%	3.60%	4.60%	4.10%	4.10%
Pension increase rate (pa)	2.50%	2.50%	2.50%	2.00%	3.00%
Defined benefit obligation (A$'000s)	181,502	194,830	169,577	171,701	192,299

	2014 $'000	2013 $'000
Profit or loss impact		
Current service cost	**2,215**	2,625
Net interest	**5,976**	5,627
Defined benefit cost recognised in profit or loss	**8,191**	8,252
Other comprehensive income		
Actuarial (gains) losses	**4,675**	(23,350)
(-) Actuarial return on plan assets less interest income	**1,268**	1,421
Total remeasurements recognised in other comprehensive income	**3,407**	(24,771)

27 Employee benefits (continued)

	2014 $'000	2013 $'000
Reconciliation of the Net Defined Benefit Liability/(Asset)		
Defined Benefit Obligation	**181,502**	175,686
(-) Fair value of plan assets	**32,694**	32,351
Deficit/(surplus)	**148,808**	143,335
(+) Adjustment for effect of asset ceiling	**-**	-
Net defined benefit liability/(asset)	**148,808**	143,335
Current net liability	**5,858**	5,060
Non-current net liability	**142,950**	138,275
Reconciliation of the Fair Value of Scheme Assets		
Fair value of plan assets at beginning of the year	**32,351**	31,971
(+) Interest income	**1,337**	1,072
(+) Actual return on plan assets less interest income	**1,268**	1,421
(+) Employer contributions	**6,125**	6,081
(+) Contributions by plan participants	**663**	632
(-) Benefits paid	**8,764**	8,509
(-) Taxes, premiums and expenses paid	**285**	318
Fair value of plan assets at end of the year	**32,694**	32,351
Reconciliation of the defined Benefit Obligation		
Present value of defined benefit obligation at beginning of the year	**175,686**	197,907
(+) Current service cost	**2,215**	2,625
(+) Interest cost	**7,313**	6,699
(+) Contributions by plan participants	**663**	632
(+) Actuarial (gains)/losses arising from changes in demographic assumptions	**1,104**	-
(+) Actuarial (gains)/losses arising from changes in financial assumptions	**4,504**	(23,527)
(+) Actuarial (gains)/losses arising from liability experience	**(933)**	177
(-) Benefits paid	**8,764**	8,509
(-) Taxes, premiums and expenses paid	**285**	318
	181,502	175,686

	Total	Quoted prices in active markets for identical assets - Level 1	Significant observable inputs - Level 2	Unobservable inputs - Level 3
Fair value of scheme assets	(A$'000)	(A$'000)	(A$'000)	(A$'000)
Asset category				
Cash and cash equivalents	4,547	4,547	-	-
Equity instruments	23,092	11,681	10,479	932
Debt instruments	4,556	1,319	1,892	1,345
Derivatives	(170)	-	(170)	-
Real estate	668	-	668	-
	32,694	**17,547**	**12,869**	**2,277**

Expected contributions (30 June 2015) **5,858**

27 Employee benefits (continued)

	2014 $'000	2013 $'000
Current service cost		
1 Total current service cost at beginning of year	**2,487**	2,841
2 Interest for the year	**106**	98
3 Expected contributions tax and expenses	**285**	318
4 Expected employee contributions	**663**	632
5 Expected change in contributions tax provision	**-**	-
6 Accumulation contributions met from surplus	**-**	-
7 Current service cost (1+2+3-4+5+6)	**2,215**	2,625
Interest expense		
1 Defined benefit obligation at beginning of year	**175,686**	197,907
2 Expected distributions	**7,240**	7,483
a weighted timing	**3,620**	3,742
3 Average defined benefit obligation (1-2a)	**172,066**	194,166
4 Discount rate	**4.25%**	3.45%
5 Interest expense (3 x 4)	**7,313**	6,699
Interest income		
1 Fair value of plan assets at beginning of year	**32,351**	31,971
2 Expected employer contributions	**5,060**	5,348
a Weighted for timing	**2,530**	2,674
3 Expected employee contributions	**663**	632
a Weighted for timing	**332**	316
4 Expected distributions during year	**7,240**	7,483
a Weighted for timing	**3,620**	3,742
5 Expected expenses, tax and insurance premiums	**285**	318
a Weighted for timing	**143**	159
6 Average expected fair value of assets (1+2a+3a-4a-5a)	**31,450**	31,061
7 Discount rate	**4.25%**	3.45%
8 Interest income (6x7)	**1,337**	1,072
Net interest		
1 Interest expense	**7,313**	6,699
2 Interest income	**1,337**	1,072
3 Net interest (1-2)	**5,976**	5,627
Actuarial (Gains)losses (recognised in Other Comprehensive Income)		
1 Actuarial (gain)/loss on DBO - experience	**(933)**	177
2 Actuarial (gain)/loss on DBO - change in demographic assumptions	**1,104**	-
3 Actuarial (gain)/loss on DBO - change in financial assumptions	**4,504**	(23,527)
4 Actuarial (gain)/loss (1+2+3)	**4,675**	(23,350)

	Consolidated		Parent Entity	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000

28 Expenditure commitments

Operating expenditure commitments

(a) Operating leases

Leases as lessee

	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000
Non-cancellable operating lease rentals are payable as follows:				
Not longer than one year	**4,209**	4,520	**4,209**	4,520
Longer than one year but not longer than five years	**12,602**	12,674	**12,602**	12,674
Later than five years	**13,770**	14,013	**13,770**	14,013
	30,581	31,207	**30,581**	31,207

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:

	Consolidated ($000)		
	Future minimum lease payments	Interest	Present value of minimum lease payments
2014			
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**
2013			
Not longer than one year	572	(488)	84
Between one and two years	1,143	(953)	190
Between three and five years	1,751	(1,362)	389
Later than five years	8,923	(3,739)	5,184
	12,389	(6,542)	**5,847**

The finance lease is between Newood 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 Organisation does not have any finance lease liabilities.

28 Expenditure commitments (continued)

	Consolidated		Parent Entity	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
(c) Capital expenditure commitments				
Plantation establishment				
Not longer than one year	**2,610**	4,824	**2,610**	4,824
Between one and five years	**15,306**	16,900	**15,306**	16,900
	17,916	21,724	**17,916**	21,724
Road construction				
Not longer than one year	**1,480**	-	**1,480**	-
Construction contracts				
Not longer than one year	**4,440**	-	**4,440**	-

29 Contingent liabilities

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 2014.

30 Controlled entities

	Country of incorporation	Percentage of Shares 2013	2012
Parent Entity - Forestry Tasmania			
Controlled Entities - Newood Holdings Pty Ltd, incorporated 19 December 2002	Australia	100%	100%
Controlled Entities - Newood Huon Pty Ltd, incorporated 19 December 2002	Australia	100%	100%
Controlled Entities - Newood Smithton Pty Ltd, incorporated 19 December 2002	Australia	100%	100%
Controlled Entities - Newood 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.

31 Related party information

	Sales to related parties		Purchases from related parties		Amounts owed by related parties		Amounts owed to related parties	
	2014	2013	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated								
Hollybank Treetops Adventure Pty Ltd	**-**	-	**-**	-	**9**	6	**-**	-
Parent								
Hollybank Treetops Adventure Pty Ltd	**-**	-	**-**	-	**9**	6	**-**	-
Newood Holdings Pty Ltd	**76**	61	**285**	176	**13,431**	10,893	**4,004**	1,458

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.

32 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, R Woolley and C Mucha. 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 2014.

Other key management personnel are determined to be the members of the General Management Team of Forestry Tasmania (at 30 June 2014: 8 members) (at 30 June 2013: 6 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:

Directors Remuneration 2013-14

Band	Number of Directors	Aggregate Directors' Fees	Committee Fees	Super-annuation	Other	Total
		$'s	$'s	$'s	$'s	$'s
> $50,000	6	396,580	21,681	38,687	-	456,948
<= $50,000	-	-	-	-	-	-
Total	**6**	**396,580**	**21,681**	**38,687**	**-**	**456,948**

Directors Remuneration 2012-13

Band	Number of Directors	Aggregate Directors' Fees	Committee Fees	Super-annuation	Other	Total
		$'s	$'s	$'s	$'s	$'s
> $50,000	3	213,430	6,022	19,750	-	239,202
<= $50,000	6	112,301	3,683	8,042	-	124,026
Total	**9**	**325,731**	**9,705**	**27,792**	**-**	**363,228**

Directors remuneration total for 2011-12 was $323,229

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. The banding < $50,000 totalling 6 for 2012-13 is made up of 3 retiring Directors and 3 new Directors.

Forestry Tasmania has not made any loans to or entered into any other transactions with any member of the Board of Directors or their related parties.

32 Key management personnel compensation and other disclosures (continued)

General Management Team Remuneration 2013-14

	Number of GMT members	Base Salary	Bonus	Super -annuation	Vehicle	Other Benefits	Total
		$'s	$'s	$'s	$'s	$'s	$'s
> $450,000	0	-	-	-	-	-	-
$300,001-$450,000	1	302,305	-	37,788	14,418	10,537	365,048
$150,001-$300,000	4	697,990	-	68,678	16,092	20,003	802,763
<= $150,000	4	380,489	-	35,196	11,991	20,894	448,570
Total	**9**	**1,380,784**	**-**	**141,662**	**42,501**	**51,434**	**1,616,381**

General Management Team Remuneration 2012-13

	Number of GMT members	Base Salary	Bonus	Super -annuation	Vehicle	Other Benefits and termination payments	Total
		$'s	$'s	$'s	$'s	$'s	$'s
> $450,000	1	374,873	-	44,048	17,488	278,099	714,508
$300,001-$450,000	0	-	-	-	-	-	-
$150,001-$300,000	5	755,914	-	81,839	23,640	191,897	1,053,290
<= $150,000	5	272,705	-	30,555	8,058	73,646	384,964
Total	**11**	**1,403,492**	**-**	**156,442**	**49,186**	**543,642***	**2,152,762**

* includes termination payments of $295,407

General Management Team Remuneration total for 2011-12 was $1,709,216.

Remuneration levels for key management personnel of Forestry Tasmania are set to attract and retain appropriately qualified and experienced senior executives. To date 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. In addition to their salaries, Forestry Tasmania also provides non-cash benefits to limited management personnel and contributes to post-employment superannuation plans for employees of the RBF defined benefits superannuation scheme.

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.

33 Auditors' remuneration

	Consolidated		Parent Entity	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Amounts paid and payable to the Tasmanian Audit Office for auditing the financial statements of Forestry Tasmania.	**108**	104	**108**	104
Amounts paid and payable to other service providers for internal and other regulatory audit services	**79**	167	**79**	167

34 Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Organisation, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

35 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. In 2008-09 Forestry Tasmania conducted a review of its business risks, which incorporated financial risk management issues, and it updates its business risk register as required but at least annually.

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.

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 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.

35 Financial instruments disclosure (continued)

(a) Capital risk management

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.

		Consolidated		Parent Entity	
		2014	2013	2014	2013
	Note	$000	$000	$000	$000
(b) Categories of financial instruments					
Financial assets					
Fair value through profit or loss - held for trading	22	**575**	575	**575**	575
Loans and receivables	15	**15,246**	24,089	**28,367**	32,439
Cash and cash equivalents	14(a)	**314**	1,485	**239**	1,380
Financial liabilities					
Financial liabilities measured at amortised cost	23, 25	**(18,399)**	(19,970)	**(18,942)**	(15,210)

(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:

		2014	2013
		$'000	$'000
Cash	14	**314**	1,485
Trade and other receivables	15	**15,246**	24,089
Other financial assets	22	**575**	575
Total financial assets		**16,135**	26,149

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 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.

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 2014: 63% (2013: 43%) of total forest product sales.

35 Financial instruments disclosure (continued)

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

	Consolidated 2014 $'000				
	Not past due	Past due			
	Current	30 days	60 days	90 days plus	Total
Forest sales trade debtors	**7,173**	**4,237**	**481**	**7,369**	**19,260**
General trade debtors	**379**	**102**	**46**	**114**	**641**
Total trade debtors	**7,552**	**4,339**	**527**	**7,483**	**19,901**
Forest sales provision for impairment				**(5,344)**	**(5,344)**
General trade debtors provision for impairment				**(6)**	**(6)**
Total impairment of receivables	**-**	**-**	**-**	**(5,350)**	**(5,350)**
Total	**7,552**	**4,339**	**527**	**2,133**	**14,551**

	Consolidated 2013 $'000				
	Not past due	Past due			
	Current	30 days	60 days	90 days plus	Total
Forest sales trade debtors	13,339	3,186	283	7,406	24,214
General trade debtors	1,462	1,877	146	2,530	6,015
Total trade debtors	14,801	5,063	429	9,936	30,229
Forest sales provision for impairment	-	-	-	(6,850)	(6,850)
General trade debtors provision for impairment	-	-	-	-	-
Total impairment of receivables	-	-	-	(6,850)	(6,850)
Total	14,801	5,063	429	3,086	23,379

Impairment provisioning recognised

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

	Consolidated		Parent Entity	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Balance as at 1 July	**(6,850)**	(8,142)	**(6,850)**	(7,110)
Recovery of prior year impairments	**1,500**	1,292	**1,500**	260
Impairment loss recognised	**-**	-	**-**	-
Balance as at 30 June	**(5,350)**	(6,850)	**(5,350)**	(6,850)

35 Financial instruments disclosure (continued)

(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 $'000
	Weighted average interest rate	Less than 1 month	1-12 months	1-2 years	2-5 years	More than 5 years
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	-	-	-
2013						
Trade and other payables	0.00%	-	13,095	-	-	10
Finance lease liability	8.40%	-	84	190	389	5,184
Interest bearing liabilities - variable	3.65%	-	1,000	-	-	-

						Parent Entity $'000
	Weighted average interest rate	Less than 1 month	1-12 months	1-2 years	2-5 years	More than 5 years
2014						
Trade and other payables	0.00%	-	14,738	-	-	-
Interest bearing liabilities - variable	3.40%	-	200	-	-	-
2013						
Trade and other payables	0.00%	-	12,752	-	-	-
Interest bearing liabilities - variable	3.65%	-	1,000	-	-	-

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.

35 Financial instruments disclosure (continued)

(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			
	2014		2013		2014		2013	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets designated at fair value through profit or loss	**575**	**575**	575	575	**575**	**575**	575	575
Loans and receivables	**15,246**	**15,246**	24,089	24,089	**28,367**	**28,367**	32,439	32,439
Cash and cash equivalents	**314**	**314**	1,485	1,485	**239**	**239**	1,380	1,380
Trade and other payables	**(14,831)**	**(14,831)**	(13,105)	(13,105)	**(18,742)**	**(18,742)**	(14,210)	(14,210)
Finance lease liability	**(3,368)**	**(3,368)**	(5,865)	(5,865)	**-**	**-**	-	-
Interest bearing liabilities - variable	**(200)**	**(200)**	(1,000)	(1,000)	**(200)**	**(200)**	(1,000)	(1,000)
Total	**(2,264)**	**(2,264)**	**6,179**	**6,179**	**10,239**	**10,239**	**19,184**	**19,184**

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 2014, there were A $1.801 million of foreign currency forward exchange contracts in place (2013: A $4.869 million).

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 2014 was US $0.014 million (2013: US $0.008 million).

Interest bearing liabilities – fixed

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

36 Geographical information

All non-current assets are located within Australia.

	Consolidated		Parent Entity	
	2014	2013	2014	2013
Trading Revenue	$'000	$'000	$'000	$'000
Australia	**103,128**	109,775	**101,491**	107,207
Asia	**54,045**	11,061	**54,045**	11,061
Total trading revenue	**157,173**	120,836	**155,536**	118,268

37 Board approved overseas travel

There were no overseas trip by Directors during the year. There were a total of eleven 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 gain first-hand knowledge on Biomass technologies at the European Pellet Conference in Austria. The total cost of all overseas travel taken by employees of the business during the year was $64,277.

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 2013-14 financial year and the financial position as at 30 June 2014, 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 2013-14 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 2013-14 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 2013-14 financial year give a true and fair view.

Signed in accordance with a resolution of the directors.

....
Robert Annells
Chairman
13 August 2014

....
Geoff Coffey
Director
13TH August 2014

Tasmanian Audit Office

Independent Auditor's Report

To Members of the Tasmanian Parliament

Forestry Tasmania

Consolidated Financial Report for the Year Ended 30 June 2014

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 2014 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 2014, 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 which describes circumstances giving rise to uncertainties as to the operations of Forestry Tasmania, the assessment by the Directors and their conclusion that it is appropriate for Forestry Tasmania to continue to adopt the going concern basis in preparing its financial report, whilst it is continuing a process of transition of its business model together with Government. The Government has confirmed that it will meet its legal obligations as owner of Forestry Tasmania, including financial obligations if required. My audit opinion is not qualified 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 Forestry Tasmania'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
- 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.

My independence declaration provided to the Directors dated 11 August 2014 and included in the Annual Report, would be unchanged if provided to the Directors as at the date of this auditor's report.

Tasmanian Audit Office

H M Blake
Auditor-General

Hobart
20 August 2014

...2 of 2

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

Strive | Lead | Excel | To Make a Difference

auditor's INDEPENDENCE DECLARATION

Tasmanian Audit Office

Level 4, Executive Building, 15 Murray Street, Hobart, Tasmania, 7000
Postal Address: GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6226 0100 | Fax: 03 6226 0199
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

11 August 2014

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

Dear Board Members

Auditor's Independence Declaration

In relation my audit of the financial report of Forestry Tasmania for the financial year ended 30 June 2014, 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; and

(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

H M Blake
Auditor-General

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

Strive | Lead | Excel | To Make a Difference

corporate GOVERNANCE

The Board of Directors of Forestry Tasmania is comprised of six independent non-executive directors. It 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.

As a fully state-owned government business enterprise, the Board of Directors is responsible directly to the Minister for Energy and Resources for its operations.

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

The Board aspires to a high degree of ethical behaviour and accountability and has developed a set of policies and procedures to govern its operations in accordance with these principles.

Monthly reports on operations and finance are supplied to the Board about the outputs of the organisation. This is reviewed monthly with senior managers, who also regularly contribute advice on strategic issues to the Board.

The Board visits operating sites and major customers as part of its corporate governance role. The Chairman of the Board has regular meetings with the Minister for Resources and reports quarterly financial performance to the Treasurer.

Board of Directors
Robert Annells PSM Dip Val, Grad Dip U.P
Geoff Coffey FCPA, ACIS, AGIA, GAICD, Dip FP
Dr Robert Smith BscFor (Hons), MSc (ResEcon), PhD, MBA
Ross Bunyon AM BComm, Comp.IEng
Dr Christine Mucha B.Ag. Sc. (Hons), Ph.D., Dip. Ag.Ec., FAICD, Comp.IEng
Robert Woolley B Ec, FICA, MAICD

Chief Executive Officer
Steve Whiteley B.For.Sc, MIFA, GAICD

Secretary to the Board
Sue Shoobridge B.Comm FCPA, FAICD

The following is also noted in respect to the Board:
- All the Directors are soundly experienced in corporate law and governance issues.
- The combined skills of the Directors include international, corporate management, marketing, finance and forest management.
- The Directors adhere to the Forestry Tasmania Corporate Governance Policy and Human Resources Policies and Procedures.

The directors have fully reviewed the set of *Guidelines for Tasmanian Government Businesses* produced by the Department of Treasury and Finance in October 2008 and revisions and updates since that time. They have considered their application to the governance of Forestry Tasmania.

board COMMITTEES

In addition to regular Board meetings, the Board of Directors holds special ad-hoc meetings as required, and has six sub-committees. Board sub-committees are governed by individual charters and membership is based on expertise. These committees make informed recommendations on corporate issues to the Board, which then makes final decisions to guide Forestry Tasmania's operations.

Finance, Audit and Risk Management Committee

This committee monitors Forestry Tasmania's overall control procedures, external financial reporting and business risks. It provides direct oversight and liaison, on behalf of the Board, with the internal auditors (KPMG) and the Tasmanian Audit Office. The committee meets the independent auditors privately at least once a year to review the performance of the organisation and obtain assurances on the adequacy of financial and accounting controls.

Members: G Coffey (chair), R Bunyon, R Woolley
Attendees: S Whiteley, S. Shoobridge, and representatives from KPMG and the Tasmanian Audit Office

Remuneration and Board Nominations Committee

This committee oversees remuneration policies, and reviews and approves remuneration arrangements for the senior executives. It also carries out the functions related to Board nominations as contained in the government's guideline document on *Board Appointments for Tasmanian Government Businesses*.

Members: R Annells (chair), G Coffey, R Bunyon, R Woolley, Dr C Mucha, Dr R Smith

Environmental, Safety and Health Committee

This committee monitors implementation of the organisation's environmental, occupational health, and safety policies, and forest management systems. It reviews any related strategic issues.

Members: Dr R Smith (chair), Dr C Mucha
Attendees: J Hickey, S Whiteley, L Burgess

Major Projects and Investments Committee

This committee provides guidance to the Board on the establishment of major strategic projects of ongoing commercial significance; and the ongoing monitoring and reporting on such projects.

Members: R Bunyon (chair), R Annells, G Coffey, R Woolley, Dr C Mucha, Dr R Smith
Attendees: S Whiteley, S. Shoobridge, J Garrett

Forest Stewardship Council (FSC) Certification Committee

This committee provides authorisation for, and maintains Board awareness of, Forestry Tasmania's application for FSC certification. The FSC Committee is the penultimate body for oversighting Forestry Tasmania's application for FSC Certification.

Members: Dr R Smith (chair), Dr C Mucha
Attendees: S Whiteley, J Hickey, J Shevlin, S Weeding

Stakeholder Engagement Committee

This committee provides authorisation for, and maintains Board awareness of, Forestry Tasmania's stakeholder engagement. The Committee is the penultimate body for oversighting Forestry Tasmania's engagement with stakeholders.

Members: Dr C Mucha (chair), R Annells, R Woolley
Attendees: S Whiteley, J Hickey, J Shevlin, S Weeding

board COMMITTEES

The number of Directors' Board and Board Committee Meetings and the number attended by each of the Directors for the year ended 30 June 2014 are:

Board meetings

Director	Meetings Held	Meetings attended
R Annells (Chair)	11	11
G Coffey	11	11
R Smith	11	10*
R Bunyon	11	11**
C Mucha	11	11
R Woolley	11	10***

* Note that R Smith was an apology for one meeting, and only attended one day of the March meeting
** Note that R Bunyon only attended part of the August meeting
*** Note that R Woolley was an apology for one meeting and only attended one day of the June meeting

Finance, Audit and Risk Management Committee

Director	Meetings Held	Meetings attended
G Coffey (Chair)	6	6
R Bunyon	6	6
R Woolley	6	5

Remuneration and Board Nominations Committee

Director	Meetings Held	Meetings attended
R Annells (Chair)	2	2
G Coffey	2	2
R Smith	2	2
R Bunyon	2	2
C Mucha	2	2
R Woolley	2	2

Environment Safety and Health Committee

Director	Meetings Held	Meetings attended
R Smith (Chair)	4	2
C Mucha	4	4

Major Projects and Investments Committee

Director	Meetings Held	Meetings attended
R Bunyon (Chair)	5	5
G Coffey	5	5
R Smith	5	5
R Annells	5	5
C Mucha	5	4
R Woolley	5	4

board COMMITTEES

Forest Stewardship Council (FSC) Certification Committee

Director	Meetings Held	Meetings attended
R Smith (Chair)	7	7
C Mucha	7	7

Stakeholder Engagement Committee

Director	Meetings Held	Meetings attended
Christine Mucha (Chair)	6	6
Robert Annells	6	6
R Woolley	6	3

legislative AND POLICY COMPLIANCE

Forestry Tasmania operates in accordance with the following statutes and policies:

- *Aboriginal Relics Act 1975*
- *Agricultural and Veterinary Chemicals Act 1995*
- *Anti Discrimination Act 1998 (Tas)*
- *Environmental Management and Pollution Control Act 1994*
- *Equal Opportunity for Women in the Workplace 1999 (Cth)*
- *Fair Work Act 2009 (Cth)*
- *Fire Services Act 1979*
- *Forest Practices Act 1985 (Tas)*
- *Government Business Enterprises Act 1995 (Tas)*
- *Historic Cultural Heritage Act 1995*
- *Land Use Planning and Approvals Act 1993*
- *Mineral Resources Development Act 1995*
- *National Vocational Education and Training Regulator Act 2011 (Cth)*
- *Nature Conservation Act 2002*
- *Personal Information Protection Act 2004 (Tas)*
- *Public Land (Administration & Forests) Act 1991(Tas)*
- *Right to Information Act 2009 (Tas)*
- *The Tasmanian Regional Forest Agreement 1997*
- *Threatened Species Protection Act 1995*
- *Timber Promotion Act 1970 (Tas)*
- *Trade Practices Act 1974 (Cth)*
- *Tasmanian Community Forest Agreement 2005*
- *Tasmanian Forests Agreement Act 2013 (Tas)*
- *Tasmanian Forest Management Act 2013*
- *Vocational Education and Training Act 1994 (Tas)*
- *Water Management Act 1999*
- *Weed Management Act 1999*
- *Workers Rehabilitation and Compensation Act 1988 (Tas)*
- *Workplace Health and Safety Act 1995 (Tas)*

Forestry Tasmania's STATEMENT OF CORPORATE INTENT

1 STRATEGIC DIRECTION

1.1 Introduction

This Statement of Corporate Intent for the 2014-15 financial year has been prepared in accordance with the *Government Business Enterprises Act 1995*.

The SCI represents a performance agreement between the Board of Forestry Tasmania and its Shareholding Ministers with respect to the financial and non-financial performance targets specified for the 2014-15 financial year. The SCI also represents an acknowledgement of the strategic direction of the business.

The performance targets within this SCI are based on, and supported by, Forestry Tasmania's 2014-15 to 2017-18 Corporate Plan, as submitted to the Shareholding Ministers in accordance with the *Government Business Enterprises Act*.

It must be noted that this SCI has been prepared during a period of ongoing transition for Forestry Tasmania and is primarily focused on 2014-15.

1.2 Main Undertakings

Under the *Forest Management Act 2013* the principal functions of Forestry Tasmania are to manage and control all Permanent Timber Production Zone Land and to undertake forest operations on Permanent Timber Production Zone Land for the purpose of selling forest products.

These functions were confirmed in the Ministerial Charter which was signed on 3 June 2014 by Forestry Tasmania's shareholder Ministers (the Treasurer and the Minister for Resources). The Charter defines the core activities of Forestry Tasmania and the Ministers' expectations of Forestry Tasmania.

These objectives include as Forestry Tasmania's principal objective an expectation that Forestry Tasmania will "be a successful business operating in accordance with sound commercial practice and as efficiently as possible; and achieve a sustainable commercial rate of return having regard to the social and economic objectives of the State, as agreed with the Portfolio Minister and the Treasurer."

The Ministers' strategic expectations for Forestry Tasmania include:

- Managing its forests on sustainable forest management principles, while maximising the recovery, utilisation and value of harvested wood;
- Working cooperatively with the Government to provide input to forest policy development and advice, including by contributing to the development and implementation of a comprehensive strategy to guide and secure the future for the Tasmanian forest industry;
- Retaining Australian Forestry Standard certification and achieving Forest Stewardship Council certification;
- Working with the Department of State Growth to encourage economic forest industry development within the State;
- Enabling and facilitating a successful Tasmanian forest industry;
- Working with key stakeholders to manage existing forest based tourism activities in Permanent Timber Production Zone Land; and
- Building and maintaining stakeholder trust and support.

1.3 Operating Environment

Over the past 4 years the forest industry in Tasmania has experienced its most difficult trading conditions which has had an ongoing detrimental effect on Forestry Tasmania's revenue.

Over the past year there has been some improvement with the depreciation in the value of the Australian Dollar relative to the United States Dollar which has positively impacted the competitiveness of exports which are invoiced in United States Dollars.

There has also been a change of Federal and Tasmanian Governments, and associated changes in forest policy, particularly in relation to guaranteeing ongoing resource availability to the forestry industry and rebuilding the industry – and therefore there is significant work to be done in developing and implementing the operational and legislative details of these changes.

However, there remains significant uncertainty about the future.

There has been a prolonged suspension of operations at critical sites for the processing and/or export of forest products (in particular, chipmills at Hampshire and Triabunna and port facilities at Burnie and Triabunna). There has also been a significant reduction in harvest and haulage contractor capacity.

While the forest assets of the former Gunns Ltd have recently been sold to NewForests, issues remain around ownership of the trees on some land, and permits for the Bell Bay Pulp Mill project remain to be sold.

Some of Forestry Tasmania's customers have been unable to maintain normal trading terms. This includes one of its major customers with longstanding overdue debts to Forestry Tasmania that has only been able to improve its position marginally.

Markets and consumers are increasingly wanting to source products that have Forest Stewardship Council certification. Forestry Tasmania has made pursuit of this certification a corporate priority. This is a complex and demanding process and achievement and maintenance of certification cannot be guaranteed.

1.4 Strategic Context

Forestry Tasmania strategic directions follows the strategic expectations in the Ministerial Charter which are as follows:

- In undertaking its core business, to:
  - manage its forests based on sustainable forest management principles, while maximising the recovery, utilisation and value of harvested wood;
  - work cooperatively with the Government to provide input into forest policy development and advice, including by contributing to the development and implementation of a comprehensive and coherent strategy to guide and secure the future for an innovative and commercially viable Tasmanian forestry industry;
  - retain Australian Forestry Standard certification and achieve Forest Stewardship Council (FSC) certification;
  - work with the Department of State Growth to encourage economic forest industry development within the State;
  - enable and facilitate a successful Tasmanian forest industry;
  - work with key stakeholders to manage existing forest based tourism activities in Permanent Timber Production Zone Land;
  - manage each of the areas of land identified in Schedule 2 of the *Forest Management Act 2013* as an administrative reserve managed in accordance with the Tasmanian Reserve Management Code of Practice;
  - maintain a culture of continuous improvement in business operations, systems and processes; and
  - build and maintain stakeholder trust and support, including by acting in a socially responsible manner and taking all reasonable steps to minimise the risk of adverse effects on the environment that may result from Forestry Tasmania's activities.

In performing its functions, Forestry Tasmania must also have regard to the financial merits of any initiatives from the view of the State, including the extent of the financial risks to which the State's balance sheet is exposed.

1.5 Key Strategies

Forestry Tasmania's current strategy to respond to the range of issues facing it includes three types of activity:

- **immediate consolidation activities**, including identification and implementation of all reasonable opportunities to further reduce costs and to maintain or increase revenue;
- **immediate and ongoing market development activities**, including pursuing opportunities to establish market demand for new and existing forest products; and
- **investment attraction activities**, with a focus on achieving local employment and the generation of local wealth based on the production of the new and existing forest products for which demand has been established by market development activities.

2 PERFORMANCE STATEMENT

2.1 Introduction

This performance Statement sets out the key performance targets to be met by Forestry Tasmania in 2014-15. The targets are based on the measures defined in Attachment 1.

2.2 Financial Returns to Government

The *Government Business Enterprises Act 1995* provides for the payment to the Consolidated Fund:

- income tax equivalents in respect of each financial year;
- guarantee fees; and
- dividends.

Target financial returns to Government on a cash basis are shown below.

	Target 2014-15	Actual 2013-14	Target 2013-14	Actual 2012-13
Dividends Paid ($m)	**-**	-	-	-
Guarantee Fees ($m)	**0.147**	0.034	0.028	0.615
Tax Equivalents Paid ($m)	**-**	-	-	-

2.3 Financial Performance Targets

The financial performance targets are set out in Table 1

Table 1 Financial Performance Targets	Target 2014-15	Actual 2013-14	Target 2013-14	Actual 2012-13
Operating Profit/(Loss) Before Tax ($m)	**#**	(28.07)	(7.69)	(31.27)
Operating Cash Flow* ($m)	**#**	13.83	0.21	(3.76)
Debtor days	**80**	88	106	91
Borrowings ($m)	**#**	0.2	13	1

* operating cash flow 2013-14 includes $23 million of deficit funding from government in 2013-14 and $35 million of government funding in 2012-13

no specific targets have been agreed given the Government is undertaking a review. Forestry Tasmania will operate to minimise its losses while meeting all of its existing responsibilities and obligations.

2.4 Non Financial Performance Targets

Table 2 sets out the key non financial performance targets.

Table 2 Non Financial Performance Targets	Target 2014-15	Actual 2013-14	Target 2013-14	Actual 2012-13
High Quality Sawlog wood volumes – m^3	**137,000**	128,202	137,000	120 932
Low Quality wood volumes – m^3	**1,524,200**	1,258,278	1,142,000	821 181
Native forest regenerated – ha	**3,975**	4,387	1,740*	3 868
Number of fires attended	**All as required**	34	All as required	54
Roads Constructed (Kilometres)	**83**	92.9	80	69.16
Lost time injury frequency rate	**<6**	5.10	<6	4.46
Wood production per employee (tonnes)	**6,645**	4,921	4,377	2 684

* This target should have been shown as 3,775 in last year's plan

2.5 Capital Expenditure

Capital expenditure primarily relates to road construction and the establishment and management of forests. Total capital expenditure for the planning period is shown in Table 3.

Table 3 Total capital expenditure ($ million)	Target 2014-15	Actual 2013-14	Target 2013-14	Actual 2012-13
Establishment	**6.454**	4.027	6.44	4.487
Road Construction	**8.621**	10.330	7.48	5.401
Land, Building and Equipment	**2.425**	0.286	0.98	0.821
Total	**17.500**	14.643	14.92	10.709

2.6 Community Service Obligations

The Treasurer and the Minister for Resources have directed, under section 65 of the Government Business Enterprises Act, that Forestry Tasmania perform the non commercial activities as listed in Forestry Tasmania's Ministerial Charter, which makes these activities Community Service Obligations (CSOs). Forestry Tasmania is working with the Department of Treasury and Finance to determine the costing and funding basis for these CSOs.

2.7 Compliance with Government Policies

In pursuing the strategic objectives in the context of the Government's directions, and undertaking its functions and exercising its powers, Forestry Tasmania shall act in accordance with:

- the governance framework for Government businesses;
- Treasurer's Instructions and guidelines that are applicable to Forestry Tasmania; and
- Government policies specifically applying to Forestry Tasmania as advised in writing by the Portfolio Minister and the Treasurer.

In particular the Portfolio Minister and Treasurer have advised their expectation that Forestry Tasmania comply with the Capital Investment Guidelines where it is considering any new business venture. In particular Forestry Tasmania commits to prepare a supporting business case for such activities and provide it to Shareholding Ministers for approval.

directors' statement OF CORPORATE INTENT AND AGREEMENT OF SHAREHOLDING MINISTERS

The Board of Forestry Tasmania agrees to provide the Shareholding Ministers with financial and other information as set out in this Statement of Corporate Intent.

In signing this document the Board of Forestry Tasmania commits to the targets proposed for the 2014-15 financial year.

This Statement of Corporate Intent has been agreed between:

Robert Annells PSM
Chairman
Forestry Tasmania
On behalf of the Board

Peter Gutwein MP
Treasurer

Paul Harriss MP
Minister for Resources

ATTACHMENT 1

Performance Measurement Definitions

Operating Profit/(Loss) Before Tax ($m)	Profit or loss from continuing operations before tax expense
Operating Cash Flow* ($m)	Cash generated by operating activities excluding financing and investing activities.
Debtor days	Average number of days that a debt is outstanding to FT.
Borrowings ($m)	Debt level to Tascorp
High Quality Sawlog wood volumes – m^3	Sawlogs meeting Categories 1 & 3 specifications
Low Quality wood volumes – m^3	All other wood including pulp wood, peeler logs, categories 2 & 8 sawlogs, pine and special species.
Native forest regenerated	Hectares regenerated after harvesting
Number of fires attended	Wildfires fought
Roads Constructed (Kilometres)	Roading for harvesting operations
Lost time injury frequency rate	Number of lost time injuries divided by the number of hours worked, multiplied by 1,000,000.
Wood production per employee (tonnes)	Quantity in tonnes of wood harvested divided by the number of employees.

chief executive
OFFICER'S STATEMENTS

The Superannuation Guarantee

Forestry Tasmania has met its obligations under the *Superannuation Guarantee (Administration) Act 1992* of the Commonwealth, as amended, in respect of any employee who is or becomes a member of a complying superannuation scheme to which the Agency contributes, other than the accumulation scheme or the contributory scheme.

Procurement and Tasmanian businesses

Forestry Tasmania ensures that Tasmanian businesses are given every opportunity to compete for our goods and services contracts. It is our policy to support Tasmanian businesses whenever their services are competitive in terms of quality and price. The Organisation entered into 163 purchase orders during 2013-14 valued at more than $50,000, with a total value of $16.5 million. One hundred and forty nine of these purchase orders were with Tasmanian suppliers for a total value of $15.1 million.

Steve Whiteley
Chief Executive Officer