



annual report 2015/16

PROUDLY GROWING TASMANIAN TIMBER



Forestry Tasmania

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vision

Forestry Tasmania will be recognised for its sustainable management of Tasmania’s public production forests, and as a progressive, commercially viable supplier of wood to a strong Tasmanian forest industry.

mission

Forestry Tasmania is professional, consultative and innovative in sustainably managing Tasmania’s public production forests for the benefit of current and future generations, and in commercially supplying wood to the Tasmanian forest industry.

corporate objectives

1. Make available agreed wood volumes to underpin a sustainable Tasmanian forest industry
2. Maximise the commercial recovery, utilisation and value of harvested wood
3. Sustainably manage Tasmania’s public production forests to maintain wood resources and other environmental, cultural and economic values
4. Actively engage with stakeholders to build trust and inform decision making
5. Transition to a new operating model and achieve financial self sustainability for FT’s commercial operations through innovation and ongoing improvement
6. A safe, healthy and productive workplace

values

We care for people and their environment

We get things done – safely and efficiently

We do what we say we will do

We are proud of who we are and what we do

We think before we act

message from the chairman and chief executive officer

SAFETY

Ensuring the safety of our operations and our people is one of our key responsibilities and our highest priority. We are therefore very pleased to commence this message by reporting that Forestry Tasmania achieved its best ever safety performance during 2015/16, with our lowest ever rate of Lost Time Injuries and achievement of all nine of our safety performance targets.

This is a major and very welcome improvement from Forestry Tasmania's disappointing and unacceptable safety performance in 2014/15, which included ten Lost Time Injuries and a Lost Time Injury Frequency Rate of 19.61, the highest it had been since 1999/2000. In contrast, Forestry Tasmania had only one Lost Time Injury in 2015/16 and our Lost Time Injury Frequency Rate in 2015/16 was down to 2.41.

This significant turnaround in safety performance is the result of the implementation of a new safety strategy, an increased focus on safety across the business, and the efforts of all our employees in proactively identifying and mitigating risks.

While this year has seen a great improvement, the inherent risks associated with working in the forests remain and even a single injury is one too many. We are therefore committed to continuing our focus on improving the safety of everything we do, as we want all our people to go home safely to their families at the end of each working day.

PRODUCTION

The weather created significant challenges for forest operations and wood production during 2015/16. In particular, the extensive bushfires over summer burnt over 50,000 hectares of Permanent Timber Production Zone land, including a number of coupes that were scheduled for harvesting. In addition to dealing with the disruptions caused by relocating operations to other areas, Forestry Tasmania staff and contractors made a very significant contribution to statewide firefighting efforts over the season, undertaking over 46,000 hours of firefighting.



Rob de Fégely
Chairman



Steve Whiteley
Chief Executive Officer

The heavy rainfall and flooding in June also caused significant disruptions as a result of extensive damage to the large network of roads, bridges and culverts across Permanent Timber Production Zone land. The work to assess and repair this damage commenced immediately after the floods subsided, but this is a very large and complex task that will take many months to complete.

Despite all these challenges, Forestry Tasmania's total production of forest products increased in 2015/16 to about 1.47 million tonnes as a result of the professionalism and commitment of our employees and contractors. This included a 7,000 m³ increase in the production of high quality sawlogs to over 127,000 m³, and a 18,000 m³ increase in peeler logs. Production of specialty timbers and pulpwood was slightly lower than in 2014/15.

The wood produced by Forestry Tasmania was supplied to 54 sawmillers and wood processors across the state, many of them located in regional areas. Despite the weather-related difficulties encountered, customer demand for high quality sawlogs was met for all but one customer, in the northwest of the state. This customer was provided with additional lower quality sawlogs, and work is continuing to explore longer term supply issues and solutions in the northwest.

In addition to supplying a significant volume of residues for chipping and export by a domestic customer, Forestry Tasmania exported a total of over 552,000 green metric tonnes of natural forest and hardwood planted forest woodchips to international pulp and paper manufacturers. This included six export shipments of woodchips from Burnie (four of natural forest and two of planted forest woodchips) - a total of 312,000 green metric tonnes, which is an increase of 73% compared to 2014/15; and five planted forest woodchip shipments from Bell Bay totalling 240,000 green metric tonnes.

FINANCIAL RESULTS

While there is still more hard work to be done to further increase revenue and reduce expenses in order to achieve financial sustainability, Forestry Tasmania made significant progress in 2015/16 in improving its operating performance compared to 2014/15. This improvement builds on the significant gains made in 2014/15 and continues to move in the right direction.

The improvements compared to last financial year include a further \$4.2 million increase in domestic and export revenue, and \$9.7 million in cost reductions. These cost reductions include: reduced employee costs (\$5.9 million) as a result of reducing Full Time Equivalent employee numbers from about 257 in April 2015 to about 184 in July 2015 (noting that there were \$3.3 million of redundancy costs in 2014/15); and reduced operating expenses of \$3.8 million, excluding fire fighting expenses.

These improvements were offset to some extent by a \$1.9 million increase in net firefighting expenses as a result of the extreme bushfire season in 2016.

The impact of these improvements is reflected in Forestry Tasmania's reported cash position at the end of the financial year (i.e. its total borrowings minus cash in the bank). In 2014/15, Forestry Tasmania started with almost no borrowings (about \$200,000) and ended the financial year with borrowings of \$33.2 million and cash of \$7.8 million. Forestry Tasmania used an equity injection on 1 July 2015 to repay these borrowings with the result that Forestry Tasmania commenced 2015/16 with zero borrowings and cash of about \$4.6 million. In comparison to 2014/15 which produced a cash loss of \$25.4 million, by the end of 2015/16 Forestry Tasmania's total borrowings net of cash were only \$9.5 million – reflecting a significant real improvement in its operating performance.

Unfortunately these improvements in Forestry Tasmania's operating performance are not easy to see or understand from the income statement included in the financial statements. The problem, which also occurred in 2014/15, is that Forestry Tasmania's total comprehensive result in 2015/16 has been significantly affected by asset and liability revaluations that have little relationship with Forestry Tasmania's operating performance or its cash position. In 2014/15 these changes had the effect of creating an accounting profit of \$31 million, despite Forestry Tasmania's operating and investing activity generating a cash loss of about \$25 million. For that reason, the commentary in the 2014/15 report deliberately focused on Forestry Tasmania's underlying financial performance rather than the total comprehensive result as presented in the financial statements.

In 2015/16 Forestry Tasmania's total comprehensive result has been negatively impacted by two very large adverse revaluations: a \$29.5 million increase in Forestry Tasmania's defined benefit superannuation liability due to an external change in the discount rate used to calculate the estimated future costs of this liability; and a \$18.1 million reduction in the forest valuation largely due to changes in the estimated future value of pruned planted forest sawlogs. In comparison, in 2014/15 the defined benefit liability reduced by \$17.6 million and the forest valuation increased by \$40.8 million. In combination, the adverse impact of these accounting revaluations when comparing the two years is about \$106 million, which is more than the reported \$98 million change in the total comprehensive income from a profit of \$31 million in 2014/15 to a loss of \$67 million in 2015/16. Excluding these revaluations, Forestry Tasmania's income improved by over \$8 million.

Forestry Tasmania will borrow funds during 2016/17 to fund any operating deficit as it completes its transition to a new sustainable operating model. The Government has agreed that these borrowings can be repaid from the proceeds of a sale of at least part of Forestry Tasmania's hardwood planted forests.

REVIEW OF FORESTRY TASMANIA

A major focus of work by the Board and management during 2015/16 has been working with the Government to analyse and develop the elements of a new sustainable long-term operating model for Forestry Tasmania. At the same time, we have also continued the process of implementing improvements to our operations where these changes are clearly in line with the directions set by the Government following its review of Forestry Tasmania.

These directions include that Forestry Tasmania should focus on its core business of growing trees, managing land and selling wood to domestic customers; should facilitate private sector participation; and must achieve long-term financial sustainability.

In addition to continuing to focus on reducing expenses and improving internal operating efficiencies, we commenced the process of working with our customers to negotiate price rises for high quality sawlogs to ensure that Forestry Tasmania receives greater value and a better commercial return for wood that is harvested from Tasmania's public production forests. The benefit of these price increases will be felt from the 2016/17 financial year.

Consistent with its focus on core business and with facilitating private sector participation, the Board has decided that Forestry Tasmania should exit from its final tourism operation through the sale of the Tahune Airwalk business, and this sale process is currently underway.

Work is also continuing on determining the optimum timing and approach to transitioning out of direct exports of forest products in a way that appropriately manages risk, retains margin, and ensures business continuity.

Following the Government's announcement of the initial outcomes of its Expression of Interest process, Forestry Tasmania has worked with several identified private sector proponents to develop agreed terms for the commercial use of residues produced from harvesting operations in public natural forests in the south of the state. At the time of writing, two contracts have been signed for the sale of 330,000 tonnes of residues per year, which will improve Forestry Tasmania's bottom line from 2016/17 by increasing the net return it receives for these residues.

The other major area of Review-related work during the year has been providing input to a Treasury-led process that has been tasked by Government with reviewing and recommending options for the sale, or partial sale, of Forestry Tasmania's hardwood planted forest estate. Forestry Tasmania's input to this process has included providing advice on the potential effects of various sale options on future sawlog and peeler log supplies, and on sustainable yield. This has included consideration of the current status of planted forest pruning and thinning operations, the contribution the pruned and thinned area will make to future sawlog supply, and the period over which this supply might be needed.

Developing and putting in place a new financially sustainable operating model for Forestry Tasmania, while also continuing to support the growth of the Tasmanian forestry industry, is neither a simple nor quick task. The Board and management of Forestry Tasmania therefore appreciate the support and encouragement provided by the Government during this complex process, and look forward to working with the Government to implement its final decisions on Forestry Tasmania's new operating model.

CERTIFICATION

The Board and management of Forestry Tasmania remain strongly committed to maintenance of Australian Forestry Standard certification and achievement of Forest Stewardship Council® certification. We are therefore very pleased that Forestry Tasmania was successfully recertified against the Australian Forestry Standard from 1 July 2015, along with re-certification of our Environmental Management and Occupational Health Safety Management Systems.

In March 2016, Forestry Tasmania also released the final report of its first full independent audit against the Forest Stewardship Council® (FSC) Forest Management Standard. While the Audit Report found that Forestry Tasmania was already in conformance with more than 90% of the 200-plus indicators required for certification, it also identified four key areas where further improvement was required.

In particular, the auditors found that Forestry Tasmania needs to: develop and utilise alternatives to clearfell harvesting in mapped old growth forest; refine how it identifies and manages threatened species and their habitat, particularly swift parrots and masked owls; revise its High Conservation Values Management Plan; and develop and implement procedures for monitoring the effectiveness of its measures for maintaining or enhancing High Conservation Values.

Forestry Tasmania has already taken action in each of these areas. We have ceased clearfelling of Coupes Containing Old Growth (defined as coupes with greater than 25% by area of mapped old growth forest). We are also working with the Forest Practices Authority, researchers and species experts to find ways to reduce the potential impacts of harvesting operations on species such as swift parrots that nest in hollow bearing trees. While this work continues, we have suspended all harvesting operations on Bruny Island (because it is free from predatory sugar gliders) and are excluding other areas of significant swift parrot habitat from harvesting.

We are also working with experts to undertake a full review of our approach to identification and presentation of High Conservation Values, and with the Forest Practices Authority to develop and implement a risk-based approach to monitoring the effectiveness of the forest practices system (including Forest Practices Plans) in maintaining or enhancing High Conservation Values.

We understand that achieving FSC® certification is not easy – and nor should it be – but we remain committed to the journey and believe the required effort will be worth it. In addition to meeting increasing market demands for this certification, we are determined to use this opportunity to genuinely improve Forestry Tasmania’s operations. We are therefore working hard to close out the remaining issues, and hope to finalise this process in 2017.

STAKEHOLDER ENGAGEMENT

We also recognise that to do our job well we need to engage effectively in a dialogue with our stakeholders. This includes seeking to understand our stakeholders’ needs and expectations, and encouraging their input and insights, so that these can be taken into account in our operational planning and decision making.

Forestry Tasmania has therefore continued to focus on improving our stakeholder engagement, and promoting initiatives such as our interactive map viewer, to make it easier for stakeholders to identify and engage with us on issues of potential concern. This has resulted in some great outcomes, for example in working with the mountain bike community to align our harvesting plans in the Blue Derby area with the needs of track users.

We recognise however that there will be challenges, particularly in areas where our operations on Permanent Timber Production Zone land are adjacent to areas of private property. While unfortunately there may be times where we are unable to fully meet all competing demands, we will continue to work actively with our customers, neighbours and the wider community to achieve the best possible outcomes for all concerned.

In closing, we would like to acknowledge and thank all of Forestry Tasmania’s employees for their ongoing professionalism and commitment in delivering good results against all of our corporate objectives through a period of significant change.



Rob de Fégely
Chairman



Steve Whiteley
Chief Executive Officer

report structure and scope

This Annual Report provides a summary of Forestry Tasmania's performance against our six Corporate Objectives in 2015/16. These objectives (see page 4) were reviewed and slightly revised by Forestry Tasmania's Board during 2015/16 but remain broadly consistent with the 2014/15 objectives.

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

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

The Year at a Glance table (page 12) provides a quick reference to some of this year's key statistics. The Report Card (page 14) provides a snapshot of our overall performance against our objectives, showing the areas where we have been successful in improving our performance and acknowledging those areas where more focus and improvement is required.

The Annual Report also includes our Financial Statements and a number of the data tables that were previously included in Appendices to our the Stewardship Reports. Additional data tables are provided on Forestry Tasmania's website at:

www.forestrytas.com.au

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

year at a glance

	2013/14	2014/15	2015/16
Forest estate ('000 hectares) at 30 June			
Permanent Timber Production Zone (PTPZ) land ¹	1,172	812	812
Land available for wood production	486	486	485 ²
Unavailable for harvesting ³	205	205	207 ²
Managed for reservation ^{1,4}	482	121	121
Public land managed by Forestry Tasmania ^{1,5}	19	8	8
Private land managed by Forestry Tasmania ⁶	1	1	1
Total Forestry Tasmania managed land ¹	1,193	820	821 ²
Forest types ('000 hectares at 30 June)			
Native forest ¹	1,080	711	711
Hardwood plantation ⁷	59	56	57
Softwood plantation ⁷	54	54	53
Area harvested in financial year ('000 hectares) ⁸			
Native forest (clearfell, selective harvesting and thinning)	3.6	4.7	5.0
Plantation (clearfell and thinning) ^{7,8}	2.5	3.0	2.7
Forest areas re-established in financial year ('000 hectares) ^{2,4}			
Native forest treated for regeneration	4.9	5.6	4.0
Plantation hardwood re-established ⁷	0.2	0.4	0.3
Plantation softwood re-established ⁷	0.4	1.6	0
Wood production			
Total production (m ³ and tonnes) ⁹	1,386,010	1,443,609	1,465,714
High quality sawlog (m ³)	128,259	119,855	127,057
Native forest Sawlog Cat. 2 & 8 (m ³)	39,936	28,411	35,721
Native forest Posts & poles (m ³)	4,584	4,061	4,698
Native forest domestic peeler (tonnes)	163,147	144,625	164,302
Native forest export peeler (tonnes)	17,470	1,452	0
Native forest pulpwood (tonnes)	643,175	635,149	725,138
Hardwood plantation pulpwood (tonnes)	261,874	342,759	221,694
Softwoods (sawlog and pulpwood) (tonnes)	96,356	141,252	156,639
Special species and craftwood (m ³)	9,199	11,042	10,548
Firewood and other products (tonnes)	22,010	14,694	19,917
Fire management services			
Number of bushfires attended	34	35	51
Area of PTPZ land ¹ burnt in bushfires (hectares)	2,911	605	50,204
Hours devoted to firefighting	12,262	5,870	46,600
Cost of suppression (current values \$'000)	2,988	549	11,165
Fuel reduction burns completed on PTPZ land (hectares) ²	3,812	4,416	1,944
Roads			
New road construction (km)	92.9	51	41.7
Road maintained/resheeted (km)	1,830	2,738	2,111

	2013/14	2014/15	2015/16
Finance			
Revenue (\$'000)			
Revenue from sale of forest products	102,314	103,153	107,303
Government funding (excluding deficit funding)	20,338	14,408	20,754 ¹⁰
Deficit funding	23,000	-	-
Other income	10,643	9,976	8,199
Forest valuation increase	-	40,784	-
Total revenue	157,173	168,541	136,253
Expenses (\$'000)			
Expenses from operations	(154,091)	(148,196)	(148,016)
Finance expense	(6,595)	(6,964)	(6,918)
Forest valuation decrease	(23,996)	-	(18,120)
Total expenses	(185,245)	(155,258)	(173,701)
Other comprehensive income (\$'000)			
Gain/(Loss) on remeasurement of defined benefit liability	(3,407)	17,563	(29,488)
Total comprehensive income (expense)	(43,118)	31,278	(67,385)
Borrowings (\$'000)			
Borrowings (net of cash)	535	(25,403)	(9,528)
Employment			
Number of staff (head count) ¹¹	270	216	183
Number of staff (full time equivalents: FTE) ¹¹	256	210	178
Lost Time Injury frequency rate	5.1	19.61	2.41
Wood production per FTE (tonnes)	5,414	6,873	8,234
Tasmanian business			
Payments to Tasmanian businesses (\$ million)	110.38	102.26	113.38
Number of Tasmanian businesses paid	1,062	987	904

Notes:

1. The reduction in Permanent Timber Production Zone (PTPZ) land in 2014/15 was the result of former Future Reserve Land being reclassified as Future Potential Production Forest (FPPF) and transferring to Crown Lands Service control.
2. Reflects the aggregate of numerous minor boundary adjustments due to final accurate mapping of PTPZ land and FPPF land by Department of Primary Industries, Parks, Water, and Environment (DPIPWE). Figures are rounded.
3. Areas not part of the wood resource due to such factors as non-commercial forest, excessive slope, streamside reserves, inaccessibility etc.
4. PTPZ land managed by Forestry Tasmania for conservation values as part of the Tasmanian Comprehensive, Adequate and Representative reserve system.
5. Areas on Buckland Military Training Area managed by Forestry Tasmania.
6. Plantations on private land fully or jointly-owned by Forestry Tasmania.
7. Plantation figures may include plantations over which Forestry Tasmania has no management control. Excludes plantations harvested but not yet replanted. Does not include 2015/16 harvesting, thinning and planting by other parties.
8. Thinning includes both commercial and non-commercial thinning.
9. In addition, Forestry Tasmania purchased 89,644 tonnes of private timber in 2014/15 and 77,467 tonnes of private timber in 2015/16.
10. Includes \$8.914 million reimbursement of above average firefighting costs.
11. Excludes Tahune Airwalk staff numbers (head count = 25, FTE = 12.5).

report card 2015/16

Make available agreed wood volumes to underpin a sustainable Tasmanian forest industry

- We supplied 54 customers with about 1.47 million tonnes of forest products from Permanent Timber Production Zone land, despite the significant challenges created by a severe bushfire season, heavy rain and major floods which impacted our operations.
- This included 127,000 m³ of high quality sawlogs (compared to 120,000 m³ in 2014/15); about 164,000 tonnes of peeler logs (compared to 146,000 tonnes in 2014/15) and about 10,500 m³ of specialty timbers (including about 500 m³ of Celery-top pine).
- Customer demand for high quality sawlogs was met for all but one customer in the northwest, who received additional lower quality sawlogs.
- We conducted 35 planned regeneration burns over 965 hectares to optimise regeneration and regrowth of previously harvested areas. This was significantly less than planned due to unsuitable weather and ground conditions (unseasonably dry followed by very heavy rains).
- We thinned over 1,600 hectares of plantations to maximise the availability of pruned logs from these plantations in the future.
- We completed about 42 km of new road construction to provide access to coupes essential to meeting Forestry Tasmania's wood production obligations.

Maximise the commercial recovery, utilisation and value of harvested wood

- We commenced the process of negotiating increased prices with our customers to increase the returns received from wood sourced from Tasmania's public production forests.
- We agreed terms with two private sector proponents identified through the Government's Expression of Interest process to implement arrangements that will provide a commercial market for up to 330,000 tonnes of residues per year from southern forest operations when fully operational.
- We exported over 552,000 green metric tonnes of native forest and hardwood plantation woodchips to international pulp and paper manufacturers - a significant volume of woodchips was also exported by our domestic residue customers.
- This included six export shipments of woodchips from Burnie (four of native forest and two of plantation woodchips) - a total of 312,000 green metric tonnes, which is an increase of 73% compared to 2014/15. There were also five plantation woodchip shipments from Bell Bay totalling 240,000 green metric tonnes.
- Heavy rains and severe flooding in autumn extensively damaged parts of Forestry Tasmania's road network (particularly in the north of the state).

Sustainably manage Tasmania's public production forests to maintain wood resources and other environmental, cultural and economic values

- Forestry Tasmania staff and contractors contributed over 46,000 hours to the state firefighting effort, with 216 staff and contractors fighting 51 separate fires which burnt 50,204 hectares of Permanent Timber Production Zone land, including 3,278 hectares of plantations.
- We also contributed to the statewide fuel reduction burn program, conducting four fuel reduction burns over 1,892 hectares and assisting other agencies with a further 13 burns.
- We maintained our certification to the Australian Forestry Standard (AS4708), Environmental Management System (ISO14001) and the Australian Occupational Health and Safety Systems Standard (AS4801).
- We released our Forest Stewardship Council® Forest Management audit report which confirmed that Forestry Tasmania is meeting more than 90% of the indicators required for FSC® Forest Management Certification, but identified four key areas where further improvement was required.
- Action was taken in each of these four key areas including:
 - Completing our phase out of clearfelling of Coupes Containing Old Growth (any coupes containing more than 25% mapped old growth forest).
 - Continuing our efforts to protect swift parrot habitat, including temporarily suspending harvesting on Bruny Island, pending development of a strategic species management plan, in recognition that this island is free of the sugar gliders that are severely threatening swift parrot numbers elsewhere on mainland Tasmania.
 - Reviewing our approach to identification and presentation of High Conservation Values.
 - Working with the Forest Practices Authority to develop and implement a risk-based approach to monitoring the effectiveness of the forest practices system in maintaining or enhancing High Conservation Values.
- We met our ecological objectives for native forest retained in long term retention, and for dispersed harvesting as prescribed by our Landscape Context Planning System for all our operations.
- Our work in developing the Landscape Context Planning System was nationally recognised with the award to Forestry Tasmania's Senior Conservation Planner of the Australian Forestry Standard's inaugural Richard Stanton Memorial Trophy for Excellence in Sustainable Forest Management.
- The Forest Practices Authority (FPA) audit examined 19 of our Forest Practices Plans for which we scored an average rating of sound (the highest level obtainable under the FPA scoring system) on all 11 criteria examined.

report card 2015/16

- 100% of our coupes that reached the reporting age met our ecological standard for regeneration.
- Three self-reported breaches of the *Forest Practices Act* resulted in fines to Forestry Tasmania and two of its contractors - corrective actions have been put in place to minimise the likelihood of similar incidents re-occurring.
- We had no fuel or chemical spills in 2015/16.
- As part of our ongoing monitoring, no chemicals were detected in the water samples taken at sites associated with chemical spraying.
- Our Forest Management Services team authored four technical reports and six papers which were peer reviewed and published in scientific journals, delivered five presentations at scientific conferences, and maintained the Warra Long Term Ecological Research site.
- The Environmental Protection Authority received eleven complaints about smoke, of which Forestry Tasmania-generated smoke potentially contributed to two.

Actively engage with stakeholders to build trust and inform decision making

- We continued to actively engage with a wide variety of stakeholder organisations and individuals on a range of forest management activities including our Three Year Wood Production Plan, our planned burning program and individual coupe and species issues.
- We further refined our interactive map viewer to make it easier for stakeholders to access information of potential interest to them.
- We completely revised and updated the Forestry Tasmania website and produced a series of fact sheets to provide stakeholders with easily accessible information on what we do and how we do it.
- We recorded 657 separate stakeholder interactions for the year involving 3,039 individuals.
- We undertook or supported over \$6.6 million of Community Service activities including fuel reduction burning and fire preparedness, road maintenance, special species timber management, research, forest education, non-commercial tourism and maintaining some public recreation sites.
- We continued to actively support mountain biking in the North East, including working closely with the users and managers of the Blue Derby trails to align our harvesting plans with the needs of track users.
- Despite significant changes made to our harvesting plans to protect identified values and respond to requests, unfortunately we were unable to fully meet all competing stakeholder demands in relation to one regrowth forest harvesting operation near Lapoinya.
- At the end of June 2016, 550 external parties held current leases, licences and easement agreements relating to various uses of Permanent Timber Production Zone land.

Transition to a new operating model and achieve financial self sustainability for FT's commercial operations through innovation and ongoing improvement

- We continued to work with the Government to analyse and develop the elements of a new sustainable long-term operating model for Forestry Tasmania.
- We provided significant input to a Treasury-led process reviewing options for the sale or partial sale of our hardwood plantation estate.
- We agreed terms with two proponents identified through the Government's EOI process for the commercial sale of 330,000 tonnes of residues produced from harvesting operations in the south of Tasmania.
- We continued to focus on reducing costs and increasing revenue, resulting in a \$4.2 million increase in our domestic and export revenue, and cost reductions of \$9.7 million in 2015/16.
- We improved debtor days from 39 in 2014/15 to 25 in 2015/16 generating working capital improvements.
- The cost reductions included a \$5.9 million reduction in employee costs (as a result of reducing FTEs from about 257 in April 2015 to about 184 in July 2015) and a \$3.8 million reduction in operating expenses (excluding fire fighting costs).
- These improvements were partially offset by a \$1.9 million increase in net firefighting expenses due to the extreme 2015/16 fire season.
- However, overall we significantly improved our business performance, reflected in a reduction in our end of year net debt from \$25.4 million in 2014/15 to only \$9.5 million in 2015/16.
- While the comprehensive result of a \$67.385 million loss in 2015/16 was significantly worse than 2014/15, this accounting result was largely driven by revaluations of our RBF liabilities and of the value of the forest estate, which have limited effect on our operating performance or cash position.
- The increase in our RBF liabilities was mainly the result of an external change to the discount rate used to calculate the estimated future costs of this liability - a factor completely outside the control of Forestry Tasmania.
- The change in our forest valuation was largely driven by a reduction in the estimated future value of pruned plantation sawlogs.
- We also continued the process of rationalising our office and site accommodation, selling depots at Latrobe, Fingal and Deloraine in addition to selling the Southwood sawmill.

report card 2015/16

A safe, healthy and productive workplace

- We implemented a new safety strategy and achieved our best ever safety result with only one Lost Time Injury (compared to ten in 2014/15).
- We also achieved our lowest ever Lost Time Injury Frequency Rate of 2.41 (compared to 19.61 in 2014/15).
- Our harvest and haulage contractors achieved a Lost Time Injury Frequency Rate of 8.16 (compared to 11.84 in 2014/15), the best result for 4 years.
- We were not issued with any Work Health and Safety Act 2012 enforcement notices by WorkSafe Tasmania.
- We negotiated and reached agreement with our employees on a one-year Enterprise Agreement, and developed a new remuneration and classification structure for inclusion in our next agreement which we also commenced negotiating.



about forestry tasmania

BUSINESS OVERVIEW

Forestry Tasmania is a Tasmanian Government Business Enterprise responsible under the *Forest Management Act 2013* for:

- sustainably managing approximately 812,000 hectares of public production forest (Permanent Timber Production Zone land)
- undertaking forest operations for the production and sale of forest products from these forests (including making available at least 137,000 cubic metres of high quality eucalypt sawlogs per annum).

In addition to the *Forest Management Act 2013*, Forestry Tasmania is also required to operate in accordance with a number of other statutes including the *Government Business Enterprise GBE Act 1995*, the *Forest Practices Act 1985* and the *Forestry (Rebuilding the Forest Industry) Act 2014*.

In accordance with the *GBE Act 1995*, a Ministerial Charter has been prepared by the Minister for Resources and the Treasurer following consultation with Forestry Tasmania. The Charter sets out the Government's broad policy expectations and requirements for Forestry Tasmania.

The current Ministerial Charter, which was signed in September 2015, identifies the following core activities to be undertaken by Forestry Tasmania:

- land and native forest management
- sales of forest products
- fire management
- roading.

The Ministers have also agreed that Forestry Tasmania may undertake the following other activities:

- nursery operations at Perth to produce eucalypt and radiata pine seedlings for planting in its own plantations, and also for sale to other landowners
- negotiation and management of transport contracts with external parties to allow Forestry Tasmania to sell timber on a mill door basis
- commercial operation of the Tahune AirWalk tourism site
- management of the Newood Huon and Smithton sites
- direct exports and development of agreed infrastructure to support export of residue products, including logs and woodchips, while market constraints that are limiting private sector investment remain

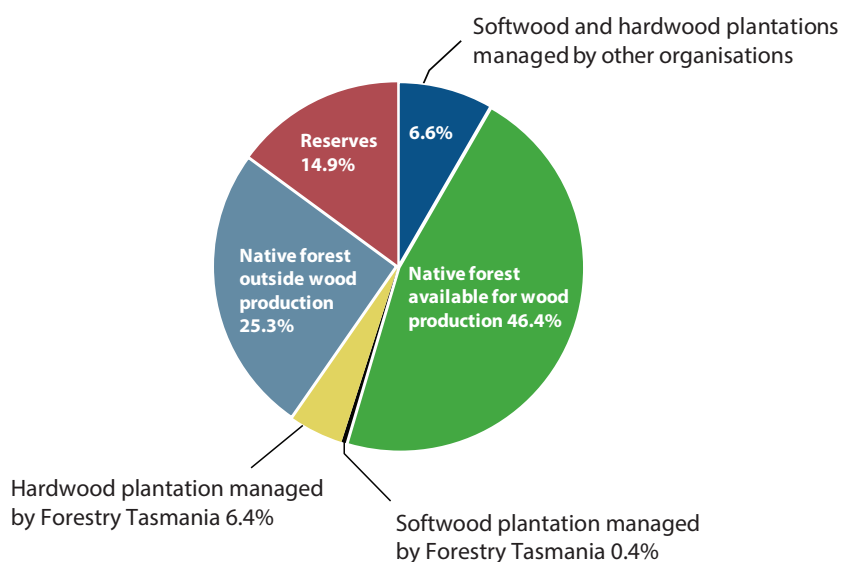
- commercial establishment, pruning, thinning and fertilising of plantations
- provision of professional and technical services to external customers on commercial terms to capitalise on the specialist expertise held within Forestry Tasmania's staff and on its intellectual property
- direct sales of special species timber on commercial terms.

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

The land we manage

As at 30 June 2016, Forestry Tasmania managed approximately 820,000 hectares (including about 9,000 hectares of public and private land outside Permanent Timber Production Zone land), of which about 60 per cent is available for actual wood production, with the remainder set aside in informal reserves or other non-production areas. Of the area available for wood production, approximately half is not yet of sufficient age for harvesting.

LAND MANAGED BY FORESTRY TASMANIA





performance against corporate objectives

1 Make available agreed wood volumes to underpin a sustainable Tasmanian forest industry

WOOD PRODUCTION

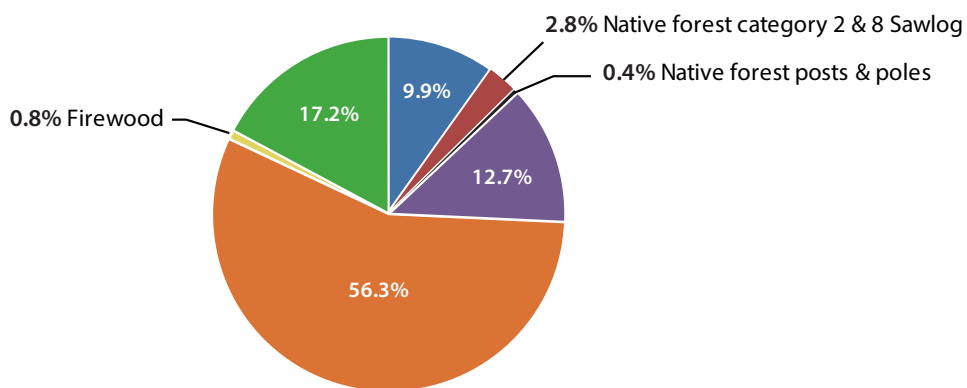
Hardwood production

In 2015/16, 1.47 million tonnes of wood products were produced from Permanent Timber Production Zone land despite a very challenging bushfire season and extensive flood damage which impacted our operations. This total production figure includes 127,000 m³ of high-quality eucalypt sawlog, which was sourced entirely from native forest.

The high-quality sawlog comprised 1,092 m³ of logs suitable for sliced veneer production, 114,939 m³ appearance- grade sawlogs and 11,026 m³ construction-grade logs. In addition, Forestry Tasmania also sourced 77,467 tonnes of timber from the private sector.

HARDWOOD PRODUCTION SUMMARY

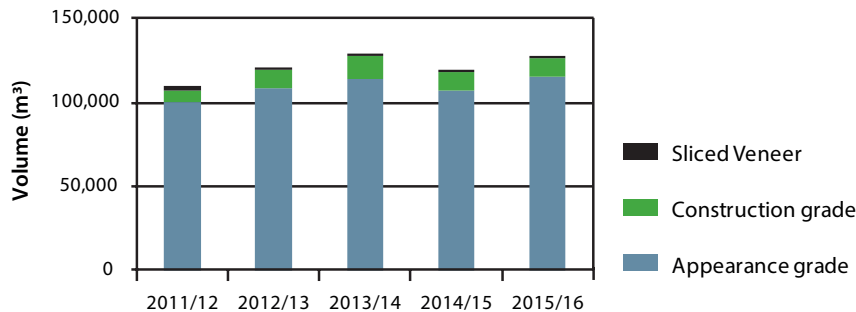
Note: Special species timbers are not included in the summary below - volumes of these timbers are detailed on page 25.



Product (2015/16 production)

- High quality sawlog (presently 100% native forest) (127,057 m³)
- Native forest category 2 & 8 Sawlog (35,721 m³)
- Native forest posts & poles (4,698 m³)
- Native forest high grade domestic peeler (164,302 tonnes)
- Native forest pulpwood (725,138 tonnes)
- Firewood (10,505 m³)
- Plantation pulpwood and poles (222,936 tonnes)

HIGH QUALITY SAWLOG PRODUCTION



Native forest operations also produced the following products as arisings:

- 4,698 m³ of posts and poles, the majority of which were destined for use as electricity poles
- 35,721 m³ of lower-quality sawlog that was suitable for uses similar to those of high-quality sawlogs, but which were expected to have lower product recoveries and primarily produce structural timber
- 164,302 tonnes of peeler logs, suitable for domestic rotary peeling into veneer
- 725,138 tonnes of pulp logs that were suitable for local processing into export woodchips
- 10,504 m³ of fuel/firewood.

In addition, Forestry Tasmania's hardwood plantations operation produced 702 tonnes of poles and 221,694 tonnes of pulpwood.

Softwood operations produced approximately 10,594 m³ of sawlog and 146,044 tonnes of pulpwood. The majority of this production was associated with the activity of private plantation growers on Permanent Timber Production Zone land, where Forestry Tasmania receives stumpage payments.

Wood product purchases

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

In 2015/16, Forestry Tasmania purchased and on-sold 77,467 tonnes of timber (including 538 tonnes peeler logs, 39,003 tonnes of native forest sawmill residues and 37,925 tonnes of plantation pulp logs) from the private sector.

Meeting customer requirements

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

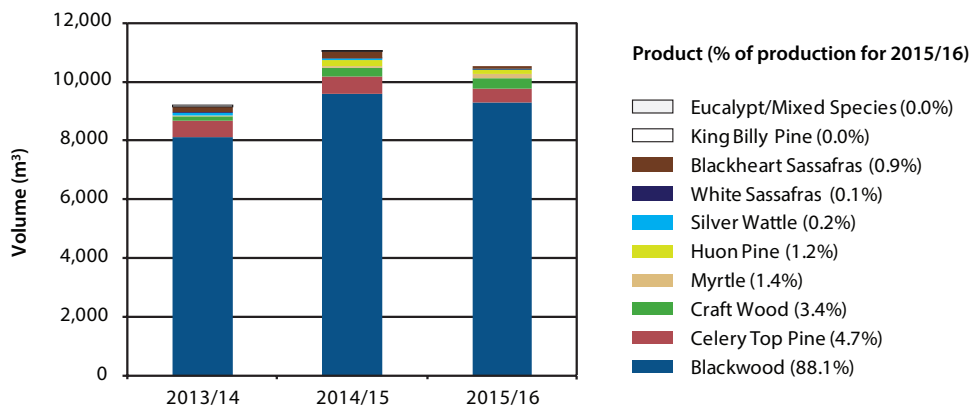
Customer demand for high quality sawlogs (HQSL) was met for all but one customer in 2015/16. While that one customer received below contracted volume for HQSL, they were provided with above contracted volumes of lower quality sawlogs. Three other major customers requested less than their contracted volume of HQSL.

Special timbers

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

During 2015/16, Forestry Tasmania produced a total of 10,548 cubic metres of special timbers from Permanent Timber Production Zone land. This comprised 8,007 cubic metres of millable logs, with the remainder being 'out of specification' sawlog and craftwood. Blackwood made up 88 per cent of the total volume produced, with the rest comprising species such as Huon pine, myrtle, sassafras and celery-top pine.

SPECIAL SPECIES PRODUCTION



Blackwood from the north west forests constituted 89 per cent of the blackwood supply, and of this, 64 per cent came from swamp forests. The swamp-grown timber is sought after for its grain uniformity and depth of colour. These swamp forests can only be harvested during the drier period of the year. Of the swamp blackwood delivered to sawmills, 50 per cent was higher-grade sawlog destined for high-end furniture, veneer or cabinetry.

Huon pine timber is mainly salvaged from the historically cut-over Teepookana Plateau, as well as from the river banks and beaches around Macquarie Harbour after floods. 137 cubic metres of Huon pine sawlogs and 343 cubic metres of Huon pine craftwood was recovered during the year.

The supply of celery-top pine in 2015/16 was 493 cubic metres which included all sawlog grades.

Forestry Tasmania continues to provide users of specialty timber products with access to the resource through the Island Specialty Timbers business. During 2015/16, Island Specialty Timbers sold 784 cubic metres of product from its three outlets based at Geeveston, Strahan and Smithton. This included selling 195 cubic metres of high-quality products through an online tendering process, to ensure that the best possible prices were obtained. The tendering program received strong interest, with black heart sassafras continuing to sell strongly. The highlight for the year was a 0.19 cubic metre blackheart sassafras log that sold for \$3,200 per cubic metre.

PLANNING AND INFORMATION SYSTEMS

Forestry Tasmania uses a planning and operational framework (see diagram on the following page) to supply forest products and to regrow and maintain Permanent Timber Production Zone land. The framework involves strategic, tactical and operational planning; implementation of these plans in order to access and harvest forest products; and subsequent regeneration and stand maintenance activities to maintain the forest's productive capacity.

The framework provides for a structured and scale-appropriate approach to the consideration of environmental, economic and social values.

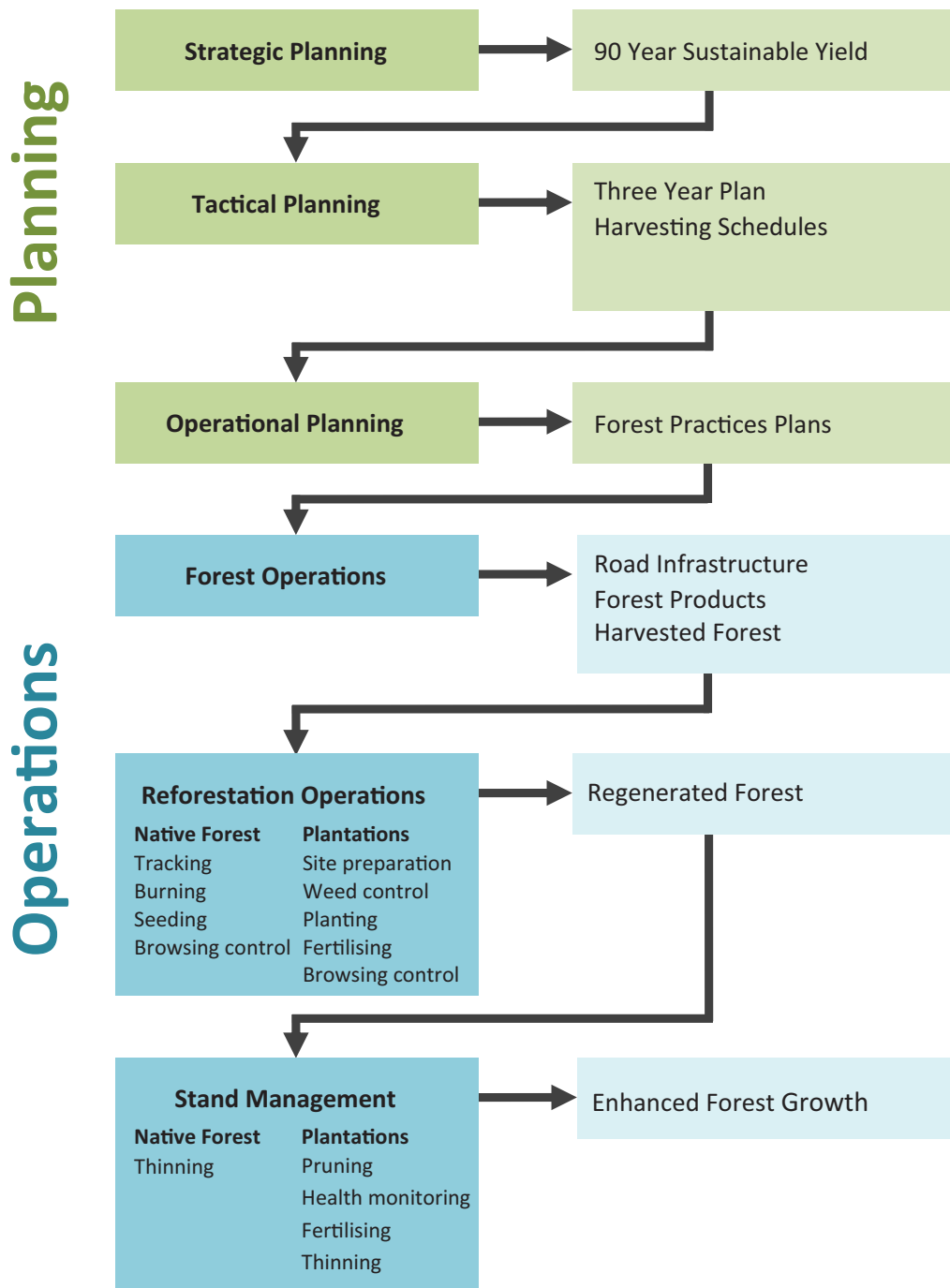
Sustainable yield

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

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

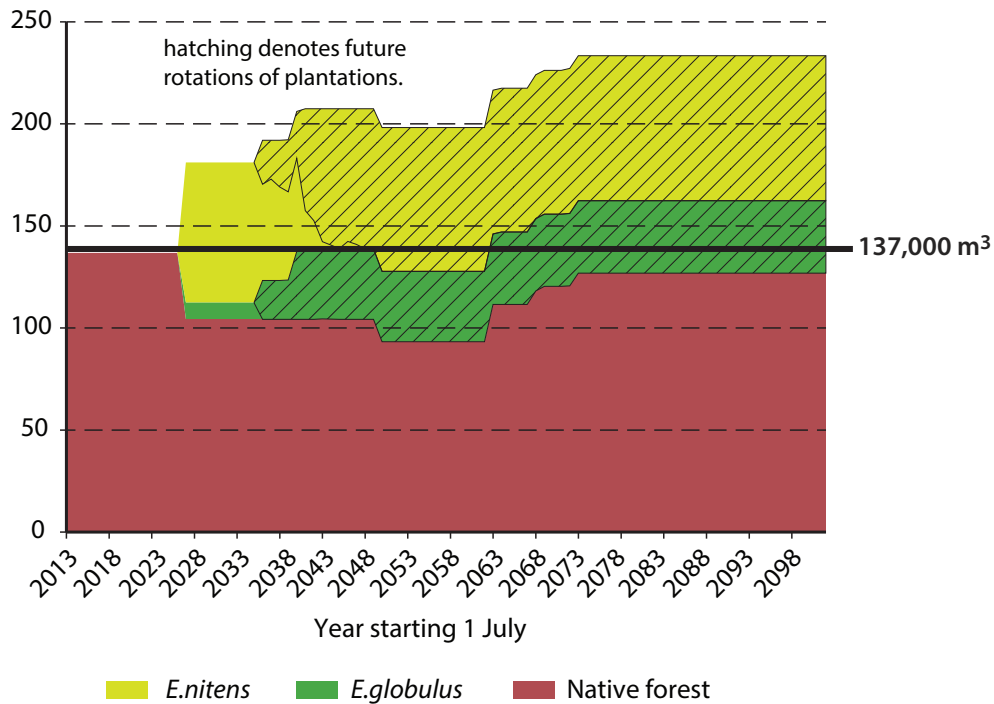
To estimate supply from the forest we use inventory, future growth estimates and historical harvest records. Supply from both eucalypt native forest and eucalypt plantation is considered in this calculation.

FORESTRY TASMANIA'S WOOD PRODUCTION PLANNING AND OPERATIONS FRAMEWORK



1 make available agreed wood volumes

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



Forestry Tasmania reviews its sustainable yield calculation for high-quality eucalypt sawlog supply every five years. The review is required by the Regional Forest Agreement and ensures the calculation accounts for changed conditions such as land management decisions, new technologies, forest growth and market priorities. The most recent review, which was published in March 2014 based on the Tasmanian Forest Agreement, confirmed Forestry Tasmania's ability to make available the volume legislated in the *Forest Management Act 2013* of at least 137,000 cubic metres per year of high quality eucalypt sawlogs from the Permanent Production Zone land for the next 90 years. The next sustainable yield review will be in 2017.

Tactical planning

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

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

Factors taken into account during these planning processes include:

- products available from specific coupes
- type and availability of silviculture and harvesting machinery required for each coupe

- compliance with Forestry Tasmania's forest management procedures
- compliance with principles and requirements in the Tasmanian *Forest Practices Code*
- dispersal of harvesting across the landscape
- seasonal restrictions for harvesting of particular areas (e.g. due to the proximity of wedge-tailed eagle nests during the breeding season)
- consideration of identified stakeholder and community issues
- strategic planning for sustainable yield.

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

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

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

Operational planning

Operational planning is undertaken for individual harvesting coupes and involves:

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

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

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

In 2015/16, Forest Practices Officers employed by Forestry Tasmania certified 158 Forest Practices Plans. All of Forestry Tasmania's certified Forest Practices Plans for 2015/16 are available free of charge to the public on Forestry Tasmania's website.

Roading

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

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

In 2015/16 we constructed 41.7 km of new road and maintained a further 2,111 km.

HARVESTING AND REGROWING

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

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

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

Native forests

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

Native forest harvested

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

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

In 2015/16, Forestry Tasmania harvested about 5,000 hectares of native forest. This included harvesting 2,412 hectares using clearfell and 2,590 hectares using partial harvest systems.

Native forest re-established

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

Successful eucalypt regeneration generally requires:

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

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

Site preparation

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

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

In 2015/16, Forestry Tasmania assessed the site preparation technique of 4,264 hectares of native forest harvested in previous years. Of this, 1,194 hectares was clearfelled and 3,052 hectares was partially-harvested.

The assessment determined that 98% of clearfelled areas and 94% of partially harvested areas respectively achieved the site preparation quality standard. This exceeds the five-year average of 86 per cent and 89 per cent for clearfell and partial harvest respectively.

Seed and sowing

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

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

The seed provenance quality standard is that each harvested area should be sown with at least 7,500 viable on-site seeds per hectare, with the remainder being in-zone seed matched to forest type.

In 2015/16, Forestry Tasmania sowed 1,190 hectares with 1,245 kilograms of eucalypt seed, of which 40 per cent was on-site seed, and the remainder was in-zone seed. We did not use any out-of-zone seed.

The quality standard for sowing operations requires that the delay between site preparation completion and sowing be less than 21 days. This provides the best chance of successful regeneration. In 2015/16, we achieved this standard in 88 per cent of the sown area. This is just below our five-year average of 90 per cent. The majority of coupes that did not meet the sowing delay standard were burnt by the extensive wildfires in January 2016 and therefore were difficult to sow quickly due to access and logistics constraints.

Regeneration success

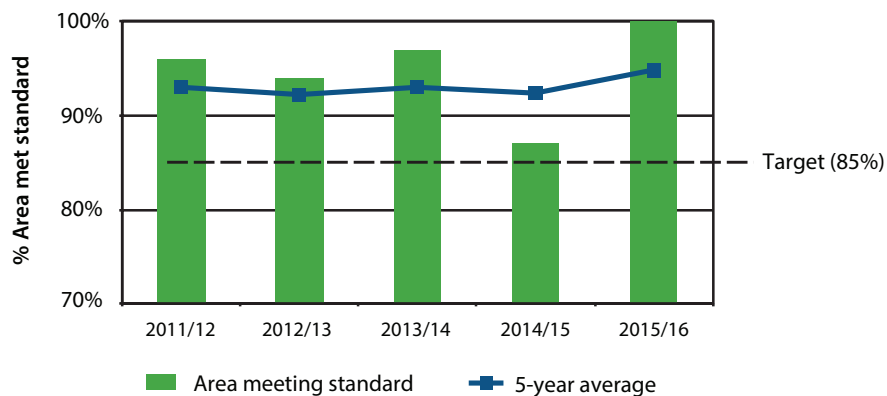
How forests are harvested and subsequently regenerated is largely determined by the forest types: different forests respond to different regeneration techniques. For example, clearfell, burn and sow has been scientifically shown to be an excellent option for regenerating tall wet eucalypt forests.

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

This approach complies with the recommended national methodology for regeneration success monitoring.

In 2015/16, 3,032 hectares of native forest regeneration reached the relevant reporting age for regeneration success, and the required stocking standard was achieved in 100 per cent of this area. This is an outstanding result that exceeds our target of 85 per cent of the harvested area being regenerated to standard and is a good reflection of our field crews commitment to regenerating our forests.

NATIVE FOREST REGENERATION SUCCESS SUMMARY



Plantations

The majority of the 57,000 hectare hardwood plantation estate on Permanent Timber Production Zone land (including about 3,000 hectares managed by other parties) has been planted over the last three decades. As this 57,000 hectares of hardwood plantation matures it will play an increasingly important role in the future forest products industry in Tasmania.

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

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

Currently, about 72 per cent of the 57,000 hectare hardwood plantation estate is *E. nitens*, 16 per cent is *E. globulus* and around 12 per cent is mixed eucalypt and other hardwood species.

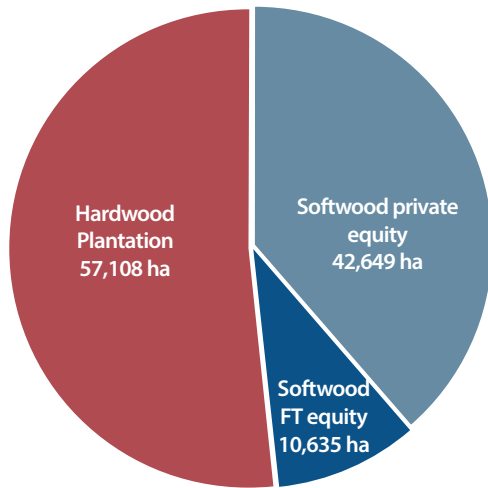
The age class distribution of the hardwood plantation resource reflects a variable establishment history. Around 15,000 hectares (26 per cent) is less than 10 years old, while only 3,000 hectares (5 per cent) is older than 30 years.

Forestry Tasmania also has a long history in softwood (*Pinus radiata*) plantation management, and around 53,000 hectares have been established on Permanent Timber Production Zone land. Equity in this resource has now been largely divested and the estate is owned and managed by external parties. However, approximately 3,000 hectares is still managed by Forestry Tasmania.

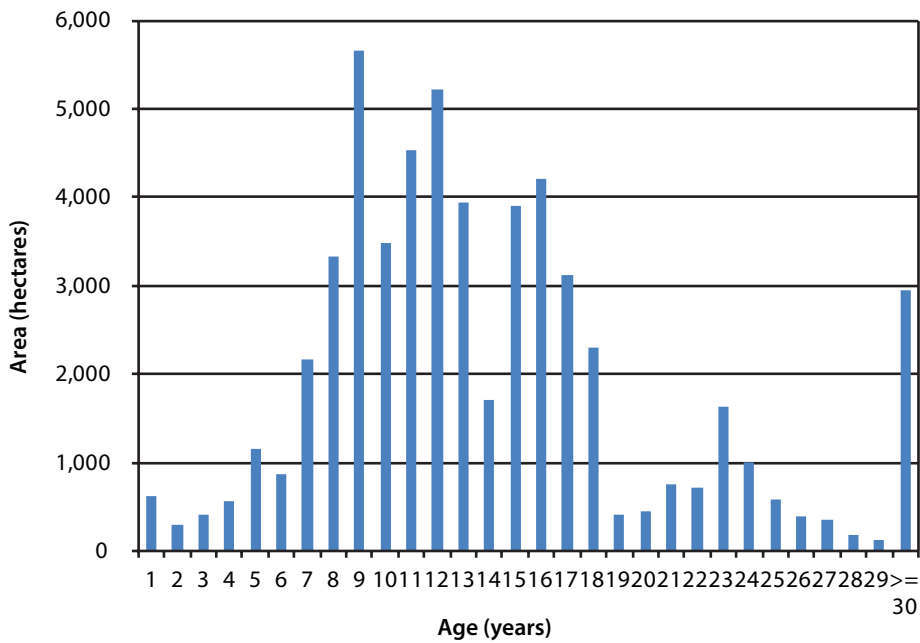
Plantation area established

The annual planting program has declined over the past eight years as Forestry Tasmania has focused on growing and developing our pruned plantation estate for future high quality sawlog and peeler production. In 2015/16 Forestry Tasmania replanted 262 hectares on second rotation hardwood plantation sites and undertook 125 hectares of infill planting.

PLANTATION TYPE



AGE CLASS DISTRIBUTION OF HARDWOOD PLANTATIONS



Thinning program

Thinning occurs after pruning is completed, and harvests lower-value trees from the stand in order to reduce competition and promote growth of the retained trees. This increases the production and quality of the pruned logs for harvest at the end of the rotation, and may also provide a mid-rotation financial return from the thinned logs.

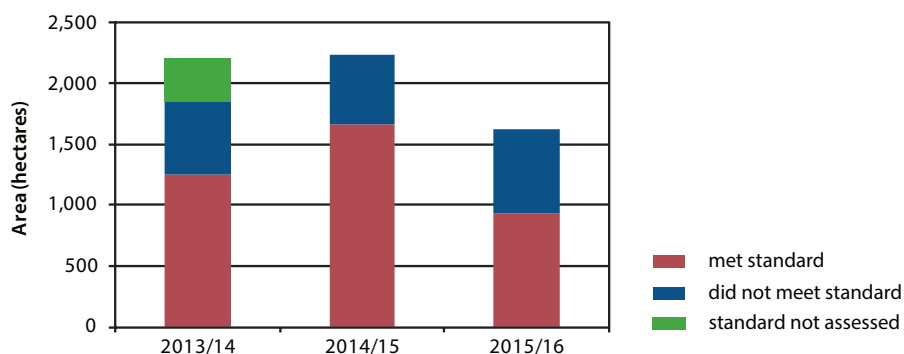
PRUNING AND THINNING IN THE EUCALYPT PLANTATION ESTATE

Area by silviculture (hectares)	Area
High pruned and thinned (high quality, pruned logs)	28,910
Low pruned and thinned (unpruned logs)	1,280
Unpruned and unthinned (pulpwood production)	26,300
Thinned only	610

The quality standards for plantation thinning are that 180 to 350 stems per hectare must be retained and inadvertent damage to the retained trees (caused by machinery used in the thinning operation) must not exceed 5 per cent of the overall coupe.

In 2015/16, we thinned 1,529 hectares. Of this, 935 hectares (61 per cent) met the quality standards for thinning. The remaining 39 per cent did not meet the quality standards, primarily due to damage to some of the retained trees through the thinning operation, particularly in sites with weedy undergrowth. We are working with contractors to review techniques to improve this result.

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



Final harvesting

In addition to pruning and thinning, we harvested 1,190 hectares of hardwood plantations. The harvested wood was supplied to two customers for chipping and subsequent export for pulp and paper production.

2015/16 PLANTING, THINNING AND HARVEST IN THE EUCALYPT PLANTATION ESTATE

Annual operations in 2015/16 (hectares)	Area
Initial planting	262
Infill planting	125
Thinning	1,529
Final harvest	1,190



1 make available agreed wood volumes



performance against corporate objectives

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

MAXIMISING COMMERCIAL RECOVERY

Forestry Tasmania's business strategy is focused on maximising product recovery from harvesting operations. During 2015/16 Forestry Tasmania harvested about 5,000 hectares of native forest and produced just over 127,000 m³ of high quality sawlog. In the process of producing these sawlogs we also produced lower-grade products including 164,302 tonnes of peeler logs and 725,138 tonnes of residual pulpwood (see Wood Volume Summary table on next page).

We aim to maximise the returns received from all harvested areas. Wood produced from felled trees is segregated into high quality sawlogs, sliced veneer logs, poles, special timbers and craftwood with the remainder being available as peeler logs, pulpwood and fuel wood.

Trained and accredited Log Classification Officers employed by harvesting contractors are responsible for the appropriate segregation of products. In addition to paying contractors a premium for higher value products, other processes are in place to maximise the recovery of wood volume and value including segregation inspections and product recovery assessments to monitor the efficient removal of forest products.

Segregation inspections are carried out by staff to determine the presence of any logs that may have been misclassified as a lower-grade product. These inspections routinely take place on coupe landings during harvest monitoring and Forestry Tasmania also has a program for conducting segregation audits at mills and on log trucks.

UTILISATION OF HARVESTED WOOD

In 2015/16 Forestry Tasmania supplied about 1.47 million tonnes of forest products to 54 sawmillers and wood processors across the state, many of them located in regional areas.

These forest products include:

- high quality eucalypt sawlogs and veneer logs suitable for milling into appearance-grade timber, structural timber and decorative sliced veneer
- lower-quality sawlogs mainly used as structural timber to build homes
- poles, including power, telecommunication and hop poles
- special timbers, such as blackwood, celery-top pine and sassafras, highly prized for designer furniture, boat building and craft

TABLE: WOOD VOLUME SUMMARY

Source	Product	2011/12	2012/13	2013/14	2014/15	2015/16
High quality sawlog (from native forest)	Appearance grade sawlog Cat 1 & 3 (m ³)	99,789	109,198	114,054	107,319	114,939
	Construction grade sawlog Cat 1 & 3 (m ³)	7,817	10,987	13,123	11,257	11,026
	Sliced veneer Grade (m ³)	2,340	747	1,082	1,279	1,092
	Total	109,946	120,932	128,259	119,855	127,057
Native forest products	Native forest sawlog Cat. 2 & 8 (m ³)	42,011	37,531	39,936	28,411	35,721
	Native forest posts & poles (m ³)	4,339	2,302	4,584	4,061	4,698
	Native forest domestic peeler (tonnes)	372,466	142,722	163,147	144,625	164,302
	Native forest export peeler (tonnes)	157,321	89,156	17,470	1,452	0
	Native forest pulpwood (tonnes)	315,037	363,409	643,175	635,149	725,138
	Firewood (m ³)	10,935	10,173	9,686	9,681	10,505
	Total	902,109	645,293	877,997	823,379	940,364
Hardwood plantation	Plantation poles (tonnes)	0	0	0	0	702
	Plantation pulpwood (tonnes)	61,303	144,106	261,874	342,759	221,694
	Total	61,303	144,106	261,874	342,759	222,396
Softwood plantation	Softwood sawlog	36,196	19,831	26,761	11,032	10,594
	Softwood pulpwood	255,895	99,583	69,595	130,220	146,044
	Total	292,091	119,414	96,356	141,252	156,639
Special timbers	Special timbers	12,953	10,712	9,199	11,042	10,548
Other products	(e.g. bark, sawdust)	5,372	19,216	12,324	5,322	8,711
Grand Total (tonnes)		1,383,775	1,059,673	1,386,010	1,443,609	1,465,714

Note:

- The softwood volumes reported no longer include those generated from the former Taswood growing venture as Forestry Tasmania divested its 50% stake in these plantations in December 2011.
- Softwood volumes include volumes produced by private growers on Permanent Timber Production Zone land where Forestry Tasmania receives stumpage royalties.
- Production figures do not include 89,644 tonnes of products in 2014/15 and 77,467 tonnes of products in 2015/16 purchased by Forestry Tasmania from private growers for provision to Forestry Tasmania customers.

- domestic peeler logs processed into rotary peeled veneer leaf for plywood and flooring
- softwood for structural timber and paper manufacturing
- wood residues which may either be wood chipped locally, or exported as whole logs. They mostly are used to manufacture the range of paper products we use every day from copy paper to cardboard.

Wood residues are produced from two sources:

- The harvesting operations required to produce high quality sawlogs and peeler logs unavoidably generate a significant volume of residues as by-product. This is because many trees and parts of trees are not of sawlog or peeler quality. On average for every sawlog and peeler log produced in Tasmania, there are two residue logs produced as byproducts. This proportion of high-quality logs is similar to that found in other native hardwood forests around the world.
- Processing operations also generate significant residue volumes. Even when a log is of a high enough quality to be a sawlog or a peeler log, the whole log cannot be sawn into timber or peeled into veneer. Sawmillers attempt to maximise the value from each sawlog but typically only about 33 per cent of the log ends up as sawn timber. The remainder ends up as sawdust (7 to 15 per cent), woodchips (30 to 35 per cent) and an allowance for shrinkage and shavings (20 per cent). Rotary peel veneer mills have a higher recovery rate than sawmills. They can recover about 40-60 per cent of the log to make veneer leaf but this process still produces residues.

Southern residues

During 2015/16 the Government ran an Expression of Interest (EOI) process seeking interest from the private sector in providing a solution for residues, particularly in the South of the State.

In April 2016, the Government announced that four private sector proponents would enter the final stage of the Southern Residue EOI process. Following this announcement, one of the proponents decided to exit the process and Forestry Tasmania commenced commercial negotiations with the remaining three proponents.

At the time of writing this report, two contracts have been signed for the sale of up to 330,000 tonnes of residues per year. This will improve Forestry Tasmania's bottom line from 2016/17 by increasing the net return it receives for these residues.

MAXIMISING VALUE

Forestry Tasmania aims to maximise the economic value from all forest products and has increased domestic and export revenue by \$4.2 million in 2015/16.

We also commenced the process of working with our customers to negotiate price rises for high quality sawlogs to ensure that Forestry Tasmania receives greater value and a better commercial return for wood that is harvested from Tasmania's public production forests. The benefit of these price increases will be felt from the 2016/17 financial year.

Exports

Since the Burnie Chip Export Terminal reopened in 2014 for native forest woodchip sales, nine shipments (seven native forest and two plantation woodchip vessels) totalling 475,000 green metric tonnes have sailed to international markets, making a significant contribution to Forestry Tasmania's financial performance.

In 2015/16 this included six export shipments of woodchips from Burnie (four of native forest and two of plantation woodchips) - a total of 312,000 green metric tonnes, which is an increase of 73% compared to 2014/15. This export terminal has also provided an additional source of revenue for local sawmillers, as residues from local sawmills are sold through the export terminal.

Bell Bay continues to provide the gateway for plantation and native forest wood chip exports for both the North East region and the south, with five plantation woodchip shipments from Bell Bay in 2015/16 totalling 240,000 green metric tonnes.

Consistent with Forestry Tasmania's focus on its core business and facilitating private sector participation, work is continuing to determine the optimum timing and approach to transitioning out of direct exports of forest products in a way that appropriately manages risk, retains margins where possible, and supports business continuity.



2 maximise the recovery and value of harvested wood



performance against corporate objectives

3 Sustainably manage Tasmania's public production forests to maintain wood resources and other environmental, cultural and economic values

INFORMED BY SCIENCE

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

Forestry Tasmania takes a collaborative approach to innovation in forest management and works with external scientific, environmental and other forestry organisations, to develop better and more efficient ways to manage our forests.

ARC Centre for Forest Value

We are a partner organisation in the Australian Research Council Centre for Forest Value (ARC CFV) based at the University of Tasmania. In a flagship project for the Centre, logs from our plantations will be used to produce high-value sawn and engineered wood products.

The work at the centre takes a holistic view of the forest product value chain, from breeding and growing, through harvesting, transport, processing, product design, and finally to the production of consumer goods. This is to be underpinned by the development of data capture and management systems, allowing for the flow of information up and down the value chain to increase value and efficiency. Additionally, the Centre facilitates the training of new researchers and innovators in the forest management and products industry. These outcomes, along with those from other collaborative projects, will help build confidence that the plantation resource can supply products with a wide diversity of valuable applications.

Warra and the Carbon Flux Tower

The Warra Flux Tower was commissioned in 2013 using funds provided through the Terrestrial Ecosystem Research Network. Data from the tower are providing researchers with new insights into the vulnerability of the tall, wet eucalypt forests of southern Tasmania to a warmer climate. This work was strengthened during the year with the installation of a cutting-edge carbon dioxide profiling system on the Warra Flux Tower in partnership with Campbell Scientific. Researchers can now continuously and accurately monitor changes in carbon dioxide levels directly above the forest, and right down through the forest canopy.

Major projects in the past year have included:

- **New approaches to sustainable forest management** - a collaboration with University of Tasmania, University of Melbourne and VicForests with funding from the Australian Research Council through their linkage grants scheme. The outcomes from this project will help manage the twin objectives of wood production and biodiversity. Advanced methods in decision-analysis and next-generation technologies for monitoring biodiversity will be brought together for the first time to measure how well these twin objectives are being met
- **Silvicultural Systems Trial** - a 10-year post-harvest response of birds, plant and beetles to harvesting methods implemented as alternatives to the clearfell, burn and sow harvest/regeneration method used in wet eucalypt forests
- **Warra Flux Tower and Supersite** - Warra is the southern-most point of the Australia-wide Terrestrial Ecosystem Research Network (TERN). The flux tower provides ongoing measurements of carbon, water and energy fluxes between the forest and atmosphere to help understand the carbon and water dynamics of a tall, wet *E. obliqua* forest and how those dynamics vary with weather. The flux measurements are supported by intensive plot-based and remotely sensed measurements to understand the linkage between these dynamic processes and the biological and physical attributes of the forest
- **Warra Hydrology Study** - a planned harvest operation in Warra 004A is being used to verify the effectiveness of the Forest Practices Code prescriptions for protecting soil, water and biological values of Class 4 streams
- **Costs and benefits of forest biosecurity** - a collaboration with University of Sunshine Coast and NSW Department of Primary Industry with co-funding by Forest and Wood Products Australia. The project will provide a number of case studies that comprehensively evaluate the costs of biosecurity measures and of managing established pests relative to benefits in greater wood value. Expertise in forest pathology, forest entomology and forest economics have been brought together to comprehensively analyse, as case studies, the full costs and benefits of managing several well-known pests and pathogens. It aims to provide a more knowledgeable basis for forest managers to make decisions on investment in biosecurity and pest management
- **Genetics** - research on the genetics of wood quality in *Eucalyptus globulus* (Tasmanian Blue Gum) through an Australian Research Council Linkage project, where in the past year, an intensive wood testing program has provided new insights into the chemistry and physical properties of the wood of the species. This new information will be used to improve tree breeding for plantations to deliver products of higher value and utility.

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

www.forestrytas.com.au/understanding-our-forests/our-research

MANAGING FOREST VALUES

Certification

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

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

Forestry Tasmania's independent third party auditing body conducts regular surveillance audits to confirm continuing compliance with the standards. The certification standards require that a certified organisation undergo re-certification at prescribed intervals (nominally 3 yearly), and has regular surveillance audits between re-certification audits. Forestry Tasmania underwent a surveillance audit in April 2016 with no non-conformances identified against any of the three standards.

2015/16 also saw Forestry Tasmania progress its commitment to obtaining Forest Stewardship Council® certification. FSC® certification is important to Forestry Tasmania because it will provide ongoing and further access to key markets and added stakeholder assurance that we are managing the forests effectively.

In March 2016, Forestry Tasmania released the final report of its first full independent audit against the Forest Stewardship Council® (FSC) Forest Management Standard.

The report found that Forestry Tasmania has a high degree of compliance with the FSC® Forest Management Standard and has met 193 (91%) of the indicators applicable to it.

The Audit Report identified ten key issues (major non-conformances) where further action is required before certification can be granted. Since the report was finalised, Forestry Tasmania has provided evidence to the auditors that has resulted in one of these key issues being resolved, leaving Forestry Tasmania with nine remaining key issues where further action is required.

These nine key issues relate to four broad themes of concern to the auditors.

Specifically, the auditors have identified that Forestry Tasmania needs to:

- develop and utilise alternatives to clearfell harvesting in coupes containing mapped old growth forest.
- refine how it identifies and manages threatened species and their habitat, particularly for swift parrots and masked owls.

-
- revise its High Conservation Values Management Plan, including clarifying which individual threatened species should be considered as High Conservation Values in their own right.
 - develop and implement procedures for monitoring the effectiveness of its measures for maintaining or enhancing High Conservation Values.

Consistent with our commitment to continuous improvement, Forestry Tasmania has taken action in each of these areas in 2015/16 to address the key issues identified by the auditors. These actions include:

- **Clearfelling old growth** - Forestry Tasmania's recently released Three Year Wood Production Plan reflects the completion of Forestry Tasmania's phase out of clearfelling of Coupes Containing Old Growth (defined as coupes with greater than 25% by area of mapped old growth forest). The 2016/17 harvest year and future years do not include any Coupes Containing Old Growth harvested by clearfelling. This is an important and significant change to Forestry Tasmania's operations.
- **Threatened species** - Forestry Tasmania is committed to the protection and management of threatened species and has been working with the Forest Practices Authority, the Department of Primary Industries, Parks, Water, and Environment, researchers and species experts for some time to find ways to reduce the potential impacts of harvesting operations on species such as swift parrots. This work is continuing. In the interim, the current Three Year Plan focuses on coupes that are unlikely to contain significant swift parrot habitat. Where some coupes may contain significant habitat, Forestry Tasmania's detailed operational planning will exclude this habitat from harvesting. In addition, Forestry Tasmania announced in November 2015 that no further harvesting operations would be scheduled on Bruny Island (because it is free from predatory sugar gliders), pending the completion of a strategic plan for the conservation of swift parrot habitat in the southern forests.
- **Identification of high conservation values** - Forestry Tasmania has been working with experts to undertake a full review of its approach to identification and presentation of High Conservation Values.
- **Maintaining and enhancing high conservation values** - Forestry Tasmania has been working with the Forest Practices Authority to develop and implement a risk-based approach to monitoring the effectiveness of the forest practices system (including Forest Practices Plans) in maintaining or enhancing High Conservation Values.

Forestry Tasmania has made significant progress in addressing the non-conformances identified by the auditor and this work is continuing.

Compliance with *Forest Practices Act 1985*

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

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

The forest practices system, administered by the Forest Practices Authority, requires high environmental standards in planning, training and education. Where problems arise, corrective actions, including the remediation of damage, takes place.

This is followed by review, analysis and improvement of systems to ensure that similar errors do not occur in the future. Where the problem is considered serious, legal enforcement is applied in a number of ways. This includes verbal or written notification by a Forest Practices Officer, which is issued under Section 41 of the *Forest Practices Act 1985*. The Forest Practices Authority may also prosecute or issue fines for failure to comply with certified Forest Practices Plans.

There were three breaches of the *Forest Practices Act 1985* this year that resulted in a fine against Forestry Tasmania or its contractors. Forestry Tasmania received a fine of \$6,000 for failing to appropriately delineate and communicate a seasonal wedge-tailed eagle breeding exclusion zone, which was subsequently harvested during the breeding season exclusion period. Fortunately the eagle nest was not active and therefore breeding birds were not impacted by this oversight. Two harvest contracting companies were directly issued fines by the Forest Practices Authority for harvesting trees outside of the marked coupe boundary on their respective operations. These three breaches were self reported by Forestry Tasmania, investigated fully, and corrective actions put in place to minimise the likelihood of similar incidents re-occurring.

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

During 2015/16, the Forest Practices Authority audit examined 19 Forest Practices Plans developed by Forestry Tasmania. We scored an average rating of 'sound' on all 11 criteria examined, which is the highest level obtainable under the Forest Practices Authority scoring system.

Forest activity assessments

Where compatible, Forestry Tasmania encourages the use of Permanent Timber Production Zone land for uses other than wood production. Third parties regularly seek permission for an array of proposed activities such as recreational events, film production and scientific research, as well as construction of communication towers and visitor facilities, and establishing new and using existing apiary sites. As the forest manager, Forestry Tasmania has a responsibility to manage these activities so that they do not compromise the values of Permanent Timber Production Zone land. To achieve this, each proposed activity is assessed to ensure existing natural, cultural and social values are not compromised, and that any potentially detrimental effects are either mitigated or avoided. Forestry Tasmania conducted 39 activity assessments during the 2015/16 year.

Reserve system

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

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

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

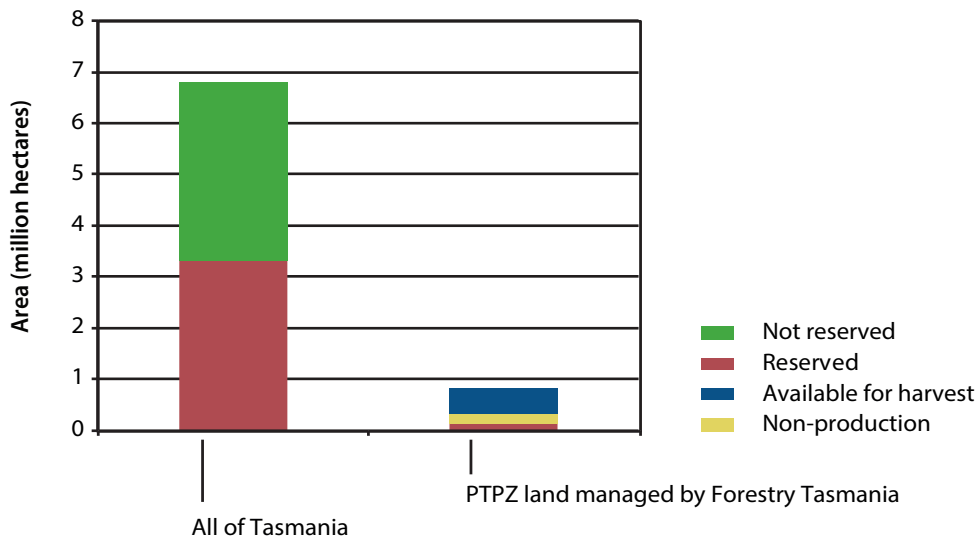
Comprehensive, Adequate and Representative reserves provide security for species that might otherwise be disadvantaged by production forestry. They provide continuity of habitat and, for many plants and animals, re-colonisation sources. In this sense, Comprehensive, Adequate and Representative reserves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

Of the 812,000 hectares of Permanent Timber Production Zone land, nearly 15 per cent (121,000 hectares) is part of the Comprehensive, Adequate and Representative Reserve system as informal reserves.

A further 25 per cent (207,000 hectares), is either not available for wood production, or not harvested due to various constraints. Although not formally recognised as part of the Comprehensive, Adequate and Representative reserve system, these non-production areas make a significant contribution to maintaining environmental values on Permanent Timber Production Zone land. While it is possible that these areas could be used for wood production in the future, the majority will likely remain unharvested.

The 485,000 hectares of Permanent Timber Production Zone land that is managed for wood production, makes up only seven per cent of Tasmania's land area.

SUMMARY OF RESERVE AREAS ON PERMANENT TIMBER PRODUCTION ZONE LAND



Landscape Context Planning system

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

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

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

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

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

When combined with the existing Comprehensive, Adequate and Representative reserve system, and implemented on all relevant coupes in the managed landscape, the system provides habitat for species to persist, and to recolonise areas after harvest disturbance.

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

Of the 83 native forest coupes harvested by aggregated retention or clearfelling in 2015/16, 95 per cent met or exceeded the long-term retention metric prescription and 100 per cent met the dispersal metric prescription. We therefore met our Landscape Context Planning System objectives. The average percentage of native forest retained for the long term in the one-kilometre radius around harvested coupes in 2015/16 was 30 per cent, which is consistent with 2014/15 results.

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

Biodiversity performance and initiatives

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

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

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

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

Managing High Conservation Value areas

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

In 2015/16 we continued on-ground implementation of the management prescriptions detailed in the High Conservation Value Plan. Procedures were introduced to ensure that the presence of High Conservation Values is routinely assessed during operational planning and prescriptions for managing them are implemented.

As part of our work to address findings in the FSC® audit report, Forestry Tasmania has been working with experts to undertake a full review of our approach to identification and management of High Conservation Values. This work, which commenced in 2015/16, will be finalised in 2016/17.

Old growth

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

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

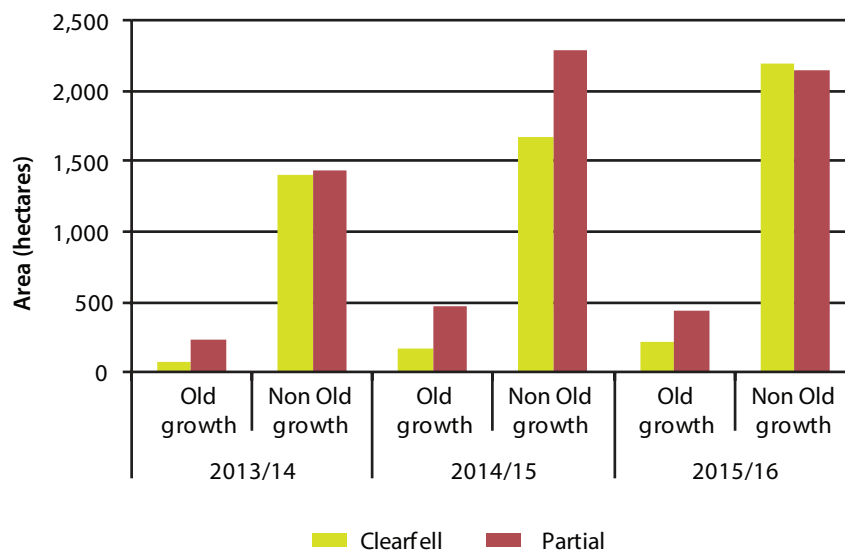
Only a small proportion of Tasmania's total old growth forest (less than four per cent) is available for timber harvesting. This portion is vital for sustaining the supply of high-quality sawlogs and special species timbers to sawmillers and their customers.

2015/16 was the final stage of Forestry Tasmania's transition to its stated intent of ceasing all clearfelling of Coupes Containing Old Growth (those with more than 25 per cent mapped old growth).

The total area of old growth harvested in 2015/16 was 653 hectares. Of this area, 444 hectares (68 per cent) was harvested using non-clearfell techniques, and 209 hectares (32 per cent) was clearfelled.

As of 30 July 2016, any harvesting activities in Coupes Containing Old Growth must be by partial harvest means in order to retain old growth structural elements on site.

NATIVE FOREST TYPE HARVESTED BY HARVEST METHOD



Giant trees

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

In 2015/16, we found and protected one additional Giant Tree. There are presently 80 Giant Trees located on land managed by Forestry Tasmania.

Chemical use

Pesticide use

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

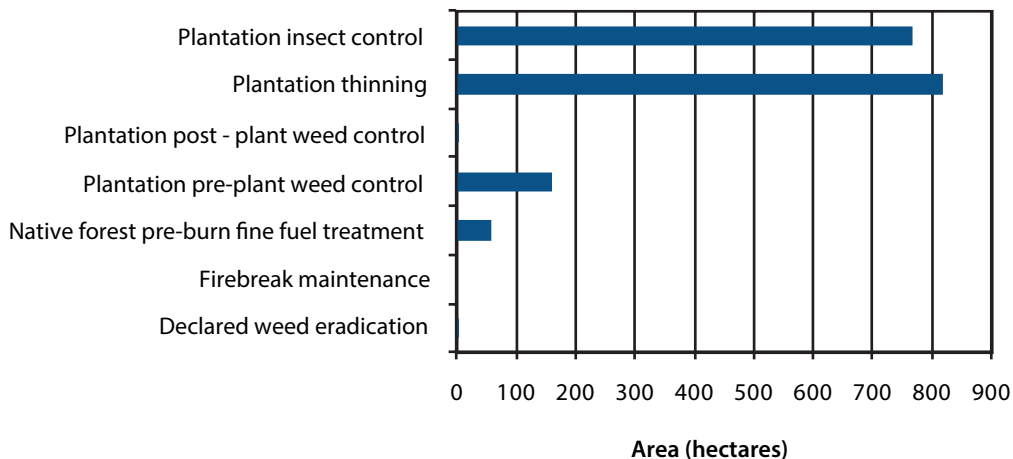
In 2015/16, chemicals were applied to 1,812 hectares of forest, compared with 1,924 hectares in 2014/15. The majority of chemical application was for chemical thinning of plantations through direct injection of lower quality tree trunks or insect control.

Forestry Tasmania's integrated pest management approach ensures that insecticide use is limited to situations where insect populations are high, and the threat of economic damage is real. In 2015/16, we used 19 kg of alpha-cypermethrin active ingredient for the purposes of insect control.

In 2015/16, we applied herbicides to 1,045 hectares. Forestry Tasmania uses herbicides for a range of reasons, including to improve conditions for seedling growth at the time of forest establishment, to conduct non-commercial thinning operations in younger plantations, to control declared weeds, and to maintain firebreaks.

In 2015/16 we applied 1,437 kilograms of herbicide active ingredient in both liquid and granular form. The majority of active ingredient used (94 per cent) was glyphosate.

AREA TREATED WITH PESTICIDES



Forestry Tasmania's forest nursery at Perth used approximately 9 kilograms of active ingredient for the purpose of controlling weeds and fungi in containerised seedlings.

Fuel and chemical spills

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

Forestry Tasmania had no fuel or chemical spills in 2015/16.

Water quality

To minimise the risk of chemical contamination from our pesticide operations, we use the CSIRO-developed Pesticide Impact Rating Index software package. The Pesticide Impact Rating Index determines the risk of a pesticide operation based on mobility; toxicity to indicator plants, invertebrate, fish and mammal species; and site-specific variables such as soil type and landscape. In 2015/16 all of the chemical application operations that we were required to model using the Pesticide Impact Rating Index were modelled as posing low or very low environmental risks.

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

In 2015/16 we submitted water samples from three operations for independent analysis. None of the samples we submitted contained any detectable levels of chemicals, continuing our good record in effectively managing chemical applications.

Cultural site management

In 2015/16, Forestry Tasmania worked with Aboriginal Heritage Tasmania to continue to improve management of Aboriginal heritage values on Permanent Timber Production Zone land.

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

This year, 11 new Aboriginal heritage sites and 20 new Historic cultural heritage sites were found for which we implemented appropriate management prescriptions.

Soils

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

As at the end of 2015/16, we have recorded a total of:

- 4,860 hectares of Permanent Timber Production Zone land as having been declared unavailable for harvesting due to the risk of erosion
- a total of 78,130 hectares of Permanent Timber Production Zone land being managed for soil and geo-conservation values.

Carbon storage in Permanent Timber Production Zone forests

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

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

Options to reduce greenhouse gas emissions include:

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

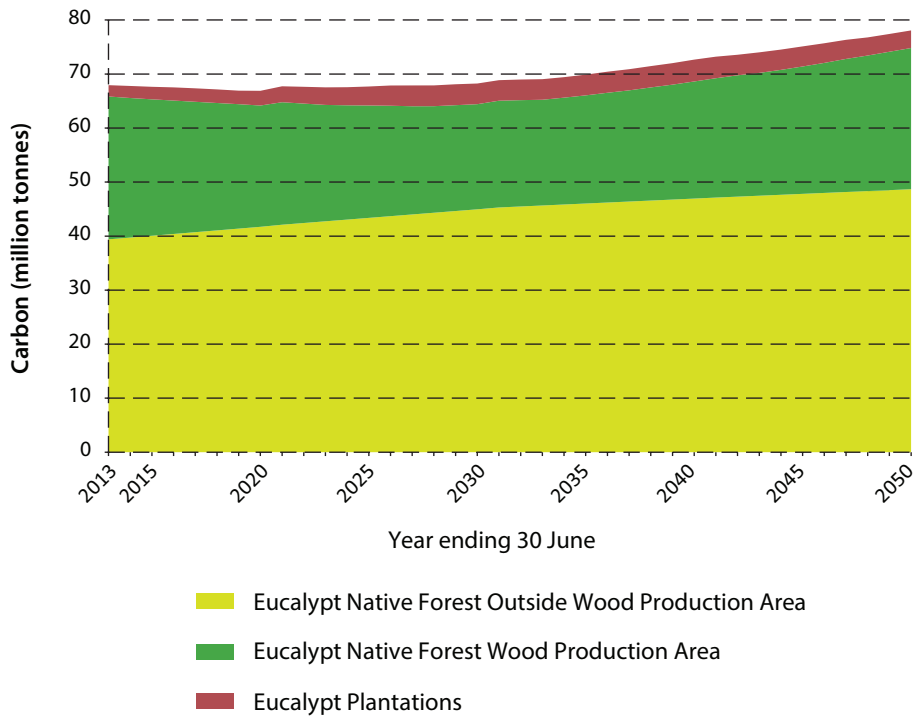
The carbon storage capacity of the forests managed by Forestry Tasmania is maintained by managing the forest in accordance with sustainable yield calculations, maintaining Forestry Tasmania's informal reserve system, and regenerating harvested forests.

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

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

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

ESTIMATED CARBON STOCKS IN STANDING LIVE TREES ON PERMANENT TIMBER PRODUCTION ZONE LAND



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

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

FOREST PROTECTION

Planned burns

Forestry Tasmania undertakes planned burns for two main reasons:

- to improve the safety of the community by reducing fuel loads in forests on Permanent Timber Production Zone land and in other identified high priority areas and
- to regenerate harvested forests in a similar manner to natural regeneration following bushfire.

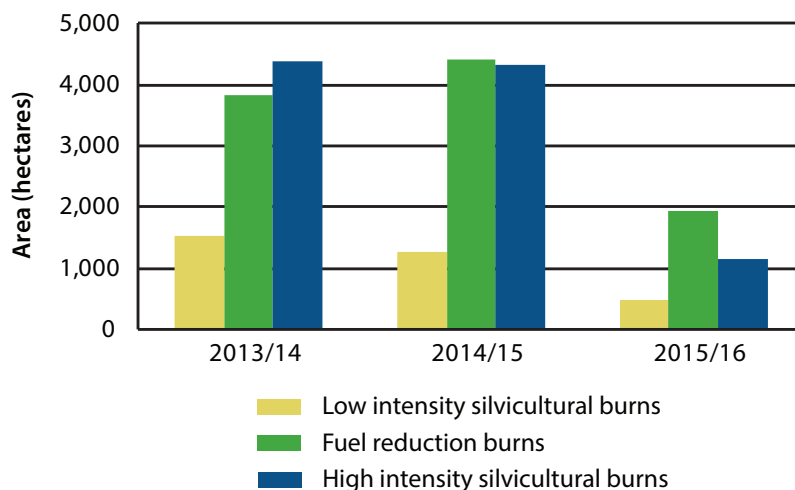
The majority of Forestry Tasmania's planned burning is undertaken during spring and autumn, as weather and fuel conditions at those times of year enable fire behaviour to be safely manipulated to match operational objectives.

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

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

The weather pattern over the 2015/16 burning season resulted in very challenging burning conditions. We conducted 41 forest regeneration burns covering 1,151 hectares and 4 fuel reduction burns covering approximately 1,892 hectares. Forestry Tasmania also undertook fuel reduction burns on behalf of other forest companies and assisted other agencies with an additional 13 burns. This was significantly less than planned due to unsuitable weather and ground conditions (unseasonably dry conditions followed by very heavy rains).

PLANNED BURNS CONDUCTED ON PERMANENT
TIMBER PRODUCTION ZONE LAND



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

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

Practices applied to minimise disruption to the community during the 2015/16 burning season also included the following:

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

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

Air quality monitoring

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

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

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

The Environmental Protection Authority Air Section identified 64 indicative exceedances of the national air quality standard at the BLANKET sites across the duration of the prescribed burning program. Forestry Tasmania reviewed these events in relation to the timing and location of all our burns, and could not attribute any exceedances wholly to our burning program. However, smoke generated from Forestry Tasmania burns, along with other smoke sources, probably contributed to one of these exceedances.

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

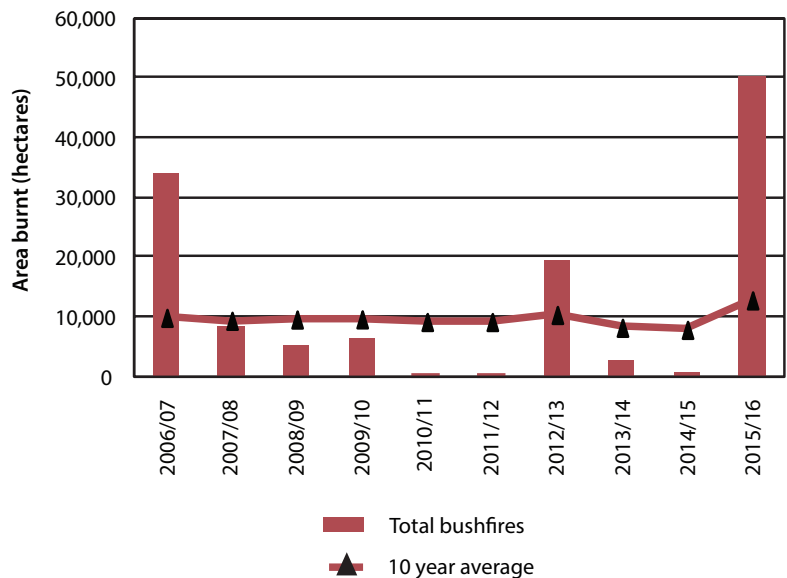
In 2015/16, the Environmental Protection Authority received 11 complaints of which Forestry Tasmania-generated smoke potentially contributed to two. We will continue to work with other agencies in the future to monitor and minimise smoke impact on communities.

Bushfire response

As a land manager, Forestry Tasmania is obliged to control and extinguish bushfires that occur on Permanent Timber Production Zone land and is also an active contributor to Tasmania's inter-agency fire management program for both fuel reduction and firefighting.

Unfortunately the 2015/16 season saw an unprecedented number of bush fires across the state. A total of 51 fires burnt 50,204 hectares of Permanent Timber Production Zone land, including a number of coupes that were scheduled for harvesting.

AREA BURNT ON PERMANENT TIMBER PRODUCTION ZONE LAND BY BUSHFIRES



Forestry Tasmania staff and contractors made a very significant contribution to the State's firefighting efforts during the 2015/16 fire season, and over 150 Forestry Tasmania staff were involved in firefighting, either on the fireline or within Incident Management Teams. Over the 2015/16 season, fire suppression activities cost Forestry Tasmania just over \$11 million.

Forestry Tasmania contributed 46,600 working hours to firefighting efforts during the season. These included:

- 28,817 hours of general firefighting activities as crew members, strike team leaders, heavy tanker drivers and tree fellers
- 8,324 hours worked in incident management teams as incident controllers, and in planning roles such as mapping, resourcing and fire behaviour prediction
- 6,600 hours of divisional or sector command.

FOREST HEALTH

Weeds, pests and diseases

Forestry Tasmania is committed to managing the threats posed by weeds, pests and diseases across Permanent Timber Production Zone land through a range of initiatives:

- maintaining a forest health surveillance program covering the hardwood plantation estate with the aim of detecting new or emerging health problems and facilitating the ongoing management of weeds, pests and diseases
- operating an integrated pest management (IPM) program to minimise the damage to plantations caused by eucalypt leaf beetles
- monitoring and controlling damage to establishing forests caused by browsing mammals
- monitoring for myrtle rust symptoms in young forest regeneration and plantations
- detecting, mapping and controlling weeds declared under the *Weed Management Act 1999* and other environmental weeds
- minimising the spread of *Phytophthora cinnamomi* and declared weeds through the quarry hygiene program.

Forest health surveillance program

Forest health surveillance is conducted annually across the *Eucalyptus nitens* and *Eucalyptus globulus* plantation estate. Roadside and ground surveys routinely cover approximately 38,000 hectares.

The remediation of chronically thin crowns in mid-rotation plantations in the northeast highlands continues. No severe damage was detected in previously affected areas meaning a significant loss in wood production has been averted. This was achieved by adaptive management using data collected during forest health surveillance to continually improve and strategically deploy the leaf beetle IPM program.

There has been some reduction in the level of defoliation caused by the fungal pathogen *Mycosphaerella* Leaf Blight associated with localised wet weather in the north east in the summer of 2014/15. However, the same region experienced a very wet January in 2016 which saw some persistence of the pathogen and has delayed crown recovery in a number of mid-rotation plantations. Severe damage has dropped from 817 hectares to 226 hectares but there were still 768 hectares of moderate damage where the impact from last year is still apparent.

Surveys indicate that forests managed by Forestry Tasmania remain free of the exotic fungal pathogen myrtle rust (*Puccinia psidii*). We continue to share data and liaise with the Department of Primary Industries, Parks, Water, and Environment (DPIPWE) on this and other biosecurity matters.

Our system for managing weeds on Permanent Timber Production Zone land has been improved to include a mapping function which can update the weeds status after weed control operations have been conducted.

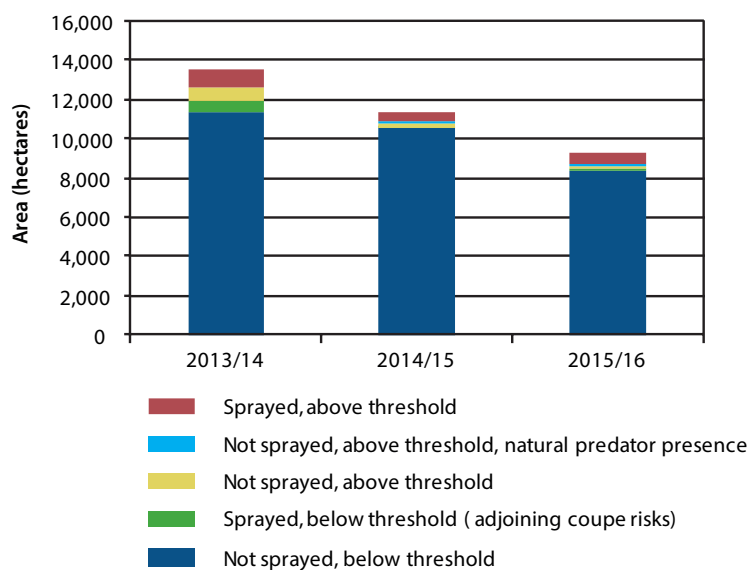
Routine hygiene surveys are conducted on all quarries that are actively used for road building and maintenance programs. These include inspections for declared weeds and laboratory testing for *P. cinnamomi* root rot where symptoms are observed. Recommendations on quarry management to prevent spread of weeds and diseases to areas of clean forest are outlined in hygiene reports.

Leaf beetle management program

Forestry Tasmania has conducted an integrated pest management program (IPM) for many years to control leaf beetles (chrysomelids), which can cause severe defoliation damage to plantation eucalypts. The program emphasizes monitoring populations throughout late spring and summer. Data collected during this process enables decision making that minimises the use of pesticides while still preventing substantial growth losses with targeted control operations.

The summer of 2015/16 was the second consecutive year with relatively low leaf beetle populations; the few high populations only occurred in the south of the State. Consequently, the overall crown vigour in plantation eucalypts was generally good. There were fewer coupes this year with high levels of past damage needing special protection, so the population density thresholds that signal spraying is required, were generally higher. However, there were persistent, large leaf beetle populations in the Florentine area that exceeded the threshold level several times, requiring up to three spray operations to be conducted. Close to 9,300 hectares were monitored for damaging insect populations this year but only 779 hectares exceeded the population threshold and control operations were conducted across 768 hectares.

LEAF BEETLE IPM: SUMMARY OF MONITORING OUTCOMES



The monitoring program was modified this year in line with Forest Practices Authority guidelines on the management of wedge-tailed eagle nesting sites during the breeding season. In coupes constrained by nest proximity, monitoring is spatially and temporally limited. Areas where helicopter activities are constrained to the point where a spray operation may not be viable are dropped from the program. Compliance with these guidelines was achieved for 100% of the monitored plantations.

APIARY MANAGEMENT

Forestry Tasmania recognises the contribution of the apiary industry to the Tasmanian economy through the sale of honey and associated products and the provision of pollination services to agriculture and horticulture.

Forestry Tasmania provides access to Permanent Timber Production Zone land for beekeepers to source leatherwood, manuka, and a variety of bush honeys, through the provision of 10 year licences to specific apiary sites. In 2015/16 there were 231 apiary sites.

Many hive sites on Permanent Timber Production Zone land are located near forests rich in leatherwood, which provides a source of nectar unique to Tasmania that is used to produce a significant proportion of Tasmania's honey. Other important sources of nectar include various eucalypts, 'manuka' (*Leptospermum sp.*), and understorey species.

Tasmania's leatherwood resource occurs across multiple tenures, including Permanent Timber Production Zone land, National Parks and reserves, and private land, with the majority of the resource occurring outside Permanent Timber Production Zone land.

Forestry Tasmania collaborates with the Tasmanian Beekeepers Association on leatherwood resource management, apiary site management, and access management. Forestry operations conducted near apiary resources and hive sites are guided by procedures that have been developed in consultation with apiary stakeholders.

These procedures will continue to be reviewed as required in cooperation with the Tasmanian Beekeepers Association.

Forestry Tasmania takes into account the interests of beekeepers in developing its harvesting plans for areas that may contain leatherwood. For example, Forestry Tasmania has recently successfully collaborated with the Tasmanian Beekeepers Association regarding a harvesting operation at Warra in the southern forests. In this particular case, in coupe WR003B, Forestry Tasmania excluded over 10 hectares of leatherwood rich eucalypt forest from its wood harvesting plans as a result of consultation and negotiation with the Tasmanian Beekeepers Association. This equates to over 20% of the potential harvest area being excluded.

In addition, Forestry Tasmania has agreed to trial the planting of leatherwood seedlings post harvesting in an adjacent area in an attempt to enhance the regrowth of leatherwood resources in the area. This trial will be monitored jointly by Forestry Tasmania and the Tasmanian Beekeepers Association.

TOURISM

While Forestry Tasmania has some formal forest reserves still under its management, the majority of reserves previously managed by Forestry Tasmania for recreational purposes have been transferred to the Department of Primary Industries, Parks, Water and Environment (DPIPWE).

Forestry Tasmania's focus is on its core commercial functions of managing the Permanent Timber Production Zone land and harvesting and selling wood, and as a result we are also exiting from involvement in formal tourism ventures.

In 2015/16 Forestry Tasmania completed the sale of its ownership stake in Hollybank Treetops Adventure and announced in December 2015 that it was exploring options for the potential sale of the Tahune AirWalk.

The Board has now decided to proceed with seeking informal tenders for the purchase of the Tahune AirWalk business, including leasing of the land and associated facilities. The land and fixed assets will continue to be owned by Forestry Tasmania.

Tahune AirWalk continues to be one of the state's leading tourism attractions attracting 75,000 visitors in 2015/16, an increase on 2014/15 figures despite being closed for 6 weeks for refurbishment.

Forestry Tasmania remains strongly supportive of the Tahune AirWalk and looks forward to a private operator taking on the business as a going concern so it can continue to thrive and grow.



performance against corporate objectives

4 Actively engage with stakeholders to build trust and inform decision making

STAKEHOLDER ENGAGEMENT STRATEGY

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

Forestry Tasmania published a new Stakeholder Engagement Strategy in October 2014 to clearly communicate to our stakeholders (including neighbours, directly affected or interested community members, staff, and auditors) why, how and when we will engage with them during our planning to inform our decision making. This strategy was reviewed and updated in September 2015 to reflect the implementation of some initiatives since the original strategy was produced. These included development of an interactive map viewer to provide easily accessible information to stakeholders on the location of planned operations, and the finalisation of our Forest Management Plan and our Customer Service Charter.

In particular, Forestry Tasmania aims to:

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

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

Where possible, we publicise our planned activities well in advance to identify as early as possible any stakeholders that might have concerns about that activity.

During 2015/16 Forestry Tasmania published its Three Year Wood Production Plan, planned burning program, spraying and planned harvesting operations. Forest Practices Plans were also made available on our website along with our interactive map viewer.

Stakeholder engagement activity

During the course of 2015/16, Forestry Tasmania has engaged with a range of stakeholders from community members, neighbours, commercial and recreational users to government organisations. In total, Forestry Tasmania engaged with over 3,039 distinct stakeholders in 657 separate interactions. This is in addition to general information provided via the website, social media channels and direct pre-operational notification to neighbours.

Forestry Tasmania has continued to focus on implementing and refining our Stakeholder Engagement Strategy, and promoting initiatives such as our interactive map viewer, to make it easier for stakeholders to identify and engage with us on issues of potential concern. This has resulted in some great outcomes, for example in working with the mountain bike community to align our harvesting plans in the Blue Derby area with the needs of track users.

We recognise however that there will be challenges, particularly in areas where our operations on Permanent Timber Production Zone land are adjacent to areas of private property. This occurred for example in 2015/16 when, despite making significant changes to our harvesting plans to protect identified values and to respond to requests, we were unable to fully meet all competing stakeholder demands in relation to one regrowth forest harvesting operation near Lapoinya.

While recognising these challenges we are committed to continuing to work actively with our customers, neighbours and the wider community to achieve the best possible outcomes for all concerned.

Right to information

The *Right to Information Act 2009* places significant emphasis on pro-active disclosure of information without the need for stakeholders to make formal applications. In response to formal requests, it also provides for active disclosure, which is the voluntary release of information, and for an enforceable right to information under assessed disclosure, unless some of the information sought is exempt under the Act.

In 2015/16, we continued to pro-actively release information via our website and to the media. This included for example publication of our Three Year Wood Production Plan and release of all certified Forest Practices Plans

During the year, we also received 16 formal applications under the *Right to Information Act 2009*, of which 14 were accepted as assessed disclosure with the other two released under active disclosure.

Leases and licences

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

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

Forestry Tasmania agrees to leases, licences and easements with local landowners, commercial businesses, non-commercial organisations and government entities for many purposes including telecommunications towers, weather stations, pipelines, electricity transmission lines and dams.

As of 30 June 2016, there were 550 current leases, licences and easements on Permanent Timber Production Zone land, with around 40 in various stages of negotiation.

SPONSORSHIP AND SUPPORT FOR FOREST EDUCATION

While Forestry Tasmania's overall sponsorships have decreased over the past years, one important sponsorship remains supporting Design Tasmania. In addition, Forestry Tasmania provides support to the Forest Education Foundation. This contribution is fully recognised and funded as a community service obligation.

Design Tasmania

Forestry Tasmania is the foundation sponsor of Design Tasmania's Wood Collection. Forestry Tasmania's support has enabled Design Tasmania to develop a long-term program of creative and educational events over many years. Design Tasmania, since its establishment in 1991, has supported Tasmanian wood design, both by supporting artists on the Island and promoting their talents interstate. It also promotes Tasmanian timber, showcasing the unique qualities and attributes of the timber sourced from the forests managed by Forestry Tasmania. In 2015/16 Design Tasmania celebrated the 25th Year of the Wood Collection.

Forest Education Foundation

Forestry Tasmania continued its sponsorship of the Forest Education Foundation, a not-for-profit educational institution staffed by qualified and experienced teachers. The Foundation offers a range of teaching and learning experiences for students of all ages across Tasmania. The objectives of the Foundation are to:

- encourage greater understanding about Tasmania's forest environments by providing access to factual information covering ecology, land tenure, land use and management systems
- encourage greater understanding of the ecosystem services and wood based products provided by forests and the value of forests within the landscape.

COMMUNITY SERVICE OBLIGATIONS

In September 2015 the State Treasurer and the Minister for Resources directed Forestry Tasmania to provide the following community services. In undertaking these community service obligations Forestry Tasmania incurred net costs and was funded to a total of \$6.62 million as indicated below.

Contribution to State firefighting capacity

- net cost \$2.3 million
- government funding \$2.00 million
- provide assistance with State fire management in the prevention, detection and suppression of bushfires.

Fuel reduction burning

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

Road maintenance

- net cost \$1.1 million
- government funding \$1.1million
- maintain agreed forestry roads to allow for continued public access and firefighting access not related to commercial wood production.

Public recreation sites

- net cost \$0.18 million
- government funding \$0.18million
- manage agreed sites on Permanent Timber Production Zone land for public recreation

Special species management

- net cost \$0.91 million
- government funding \$0.91million
- identify, manage and harvest special species timber and manage the Huon pine log stockpile.

Forest education activities

- net cost \$0.20 million
- government funding \$0.20 million
- support agreed forest education activities delivered through the Forest Education Foundation.

Non-commercial tourism

- net cost \$0.11 million
- government funding \$0.11 million
- Provide agreed non-commercial tourism activities.

Warra research site

- net cost \$0.11 million
- government funding \$0.11 million
- continue to facilitate agreed forest research activities at the Warra Long Term Ecological Research site.



performance against corporate objectives

5 Transition to a new operating model and achieve financial self sustainability for Forestry Tasmania's commercial operations through innovation and ongoing improvement

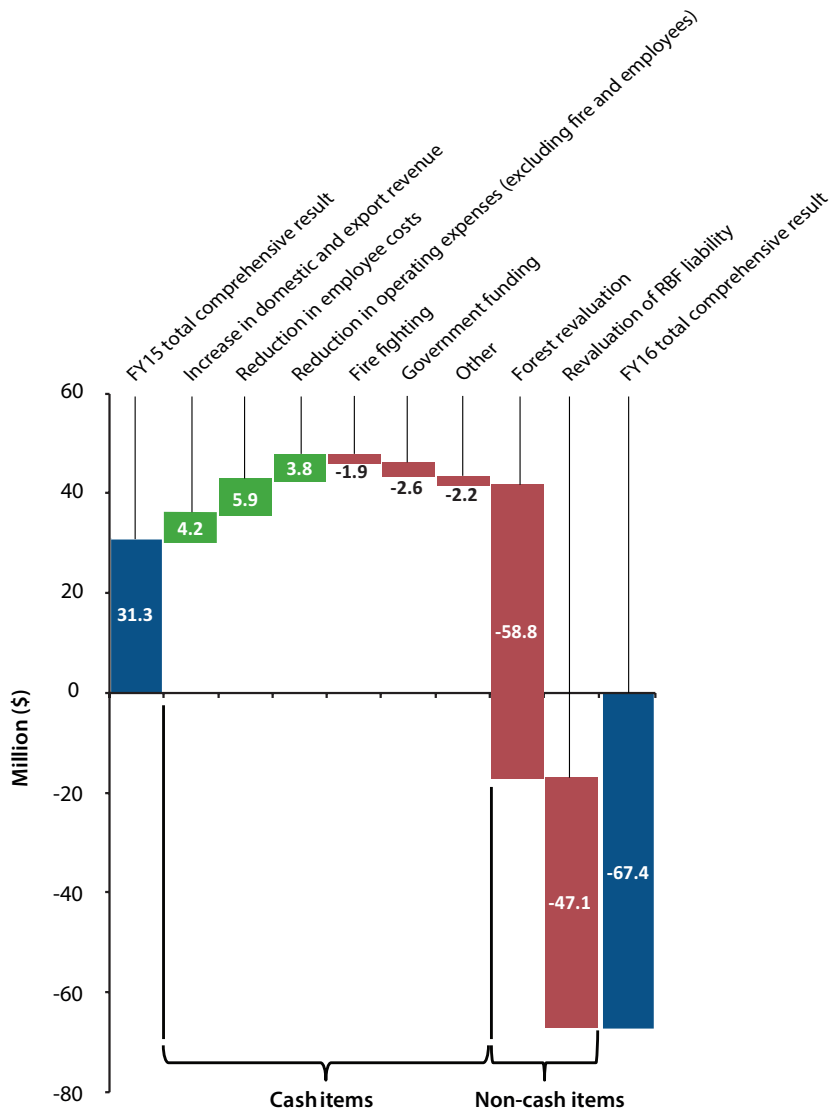
INCOME STATEMENT HIGHLIGHTS

Forestry Tasmania's total comprehensive result in 2015/16 has again been significantly affected by asset and liability revaluations that have little relationship with Forestry Tasmania's operating performance or its cash position. In 2014/15 these revaluations had the effect of creating an accounting profit of \$31 million, despite Forestry Tasmania's operating and investing activity generating a cash loss of about \$25 million.

In 2015/16 Forestry Tasmania's total comprehensive result has been negatively impacted by two very large adverse revaluations: a \$29.5 million increase in Forestry Tasmania's defined benefit superannuation liability due to an external change in the discount rate used to calculate the estimated future costs of this liability; and a \$18.1 million reduction in the forest valuation largely due to changes in the estimated future value of pruned plantation sawlogs. In comparison, in 2014/15 the defined benefit liability reduced by \$17.6 million and the forest valuation increased by \$40.8 million. In combination, the adverse impact of these accounting revaluations when comparing the two years is about \$106 million, which is more than the reported \$98 million change in total comprehensive income from a profit of \$31 million in 2014/15 to a loss of \$67 million in 2015/16.

The chart on the next page shows the significant cash and non-cash items that influenced this result. The left hand blue bar represents our result for 2014/15 of \$31.3 million, the positive (green) and negative (red) changes are added and subtracted accordingly, resulting in the total comprehensive result for 2015/16 of -\$67.4 million.

ANALYSIS OF KEY INFLUENCES ON 2015/16 FINANCIAL YEAR
 TOTAL COMPREHENSIVE RESULT COMPARED TO 2014/15 FINANCIAL YEAR (\$M)



NON-CASH ITEMS

As noted above, there were two major non-cash items that significantly impacted profitability in 2015/16: an increase in the defined benefit superannuation liability; and a decrease in the value of the forest estate.

The increase in the defined benefit obligation resulted from changes in actuarial assumptions, in particular the use of the corporate bond rate of 3.55 per cent (in 2014/15 the rate was 4.8 per cent).

The decrease in the forest valuation was driven primarily by a reduction in the estimated future sale price of pruned plantation sawlogs.

CASH ITEMS

The improvement in our financial performance includes an \$8.5 million improvement in revenue (excluding the impact of the forest valuation increase in 2014/15).

A significant proportion of this improvement in revenue was domestic and export revenue from sales of forest products which increased by \$4.2 million compared to 2014/15. There was also \$8.9 million of additional fire fighting revenue, but this was simply reimbursement for Forestry Tasmania's significant additional direct costs incurred in fighting multiple major fires during the extreme fire season.

The improvement in financial performance also includes a further \$9.7 million in cost reductions in 2015/16, building on the \$13 million in reductions achieved during 2014/15. These cost reductions include: reduced employee costs (\$5.9 million) as a result of reducing Full Time Equivalent employee numbers from about 257 in April 2015 to about 184 in July 2015 (noting that there were \$3.3 million of redundancy costs in 2014/15); and reduced operating expenses of \$3.8 million, excluding fire fighting expenses. The full year savings resulting from the redundancy process were realised in 2015/16.

Government funding (recognised in the income statement) increased by \$6.3 million in 2015/16. However, as noted above, this funding includes reimbursement by the Government of \$8.9 million in fire fighting costs. If this reimbursement is excluded, Government funding reduced by \$2.6 million in 2015/16.

CASH/BORROWING HIGHLIGHTS

In 2014/15, Forestry Tasmania started with almost no borrowings (about \$200,000) and ended the financial year with a cash loss of \$25.4 million. The associated borrowings were repaid with an equity injection on 1 July 2015 with the result that Forestry Tasmania commenced 2015/16 with zero borrowings and cash of about \$4.6 million. In comparison, by the end of 2015/16, Forestry Tasmania's total borrowings net of cash were only \$9.5 million – reflecting a significant real improvement in its operating performance.

Operating cash flows in 2015/16 improved by \$5 million compared to 2014/15 to result in an outflow of -\$10.5 million. This improvement is mainly driven by a \$5.7 million improvement in receipts from customers as a result of improved sales and a reduction in debtor days, and a reduction in Full Time Equivalent employees that drove a \$6.9 million reduction in costs. These improvements were offset by \$1 million of one-off costs relating to redundancy payments, and \$5.3 million in lump sum RBF payments.

Capital expenditure reduced by \$4.6 million year-on-year as road construction was reduced and aligned to the harvest plan for 2016/17.

As a result, Forestry Tasmania ended the financial year with total end-of-year borrowings of \$14.4 million and cash of \$4.9 million. Total end of year borrowings (net of cash) were therefore \$9.5 million.

Forestry Tasmania's borrowing limit was reduced during 2015/16 from \$41 million to \$31 million to reflect reduced borrowing requirements. At 30 June 2016, total end of year borrowings (net of cash) was -\$9.5 million.

STATEMENT OF FINANCIAL POSITION

Forestry Tasmania's net assets decreased from \$62.4 million at 30 June 2015 to \$25 million at 30 June 2016. This decrease of \$37.4 million was primarily the result of the \$29.5 million increase in Forestry Tasmania's defined benefit liability, and the \$18.1 million reduction related to revaluation of the forest estate. The equity injection from the Government on 1 July 2015 improved net assets at that time by \$30 million.

TRANSITIONING TO A NEW OPERATING MODEL

Forestry Tasmania has been working with the Government throughout 2015/16 to analyse and develop the elements of a new sustainable long-term operating model for Forestry Tasmania. At the same time, we have also continued implementing improvements to our operations where these changes are clearly in line with the directions set by the Government (i.e. that Forestry Tasmania should focus on growing trees, managing land and selling wood to domestic customers; should facilitate private sector participation; and must achieve long-term financial sustainability).

In addition to continuing to focus on reducing expenses and improving internal operating efficiencies as described above, we commenced the process of working with our customers to negotiate price rises for high quality sawlogs to ensure that Forestry Tasmania receives greater value and a better commercial return for wood that is harvested from Tasmania's public production forests. The benefit of these price increases will largely be felt in the 2016/17 financial year.

Consistent with our focus on core business and with facilitating private sector participation, Forestry Tasmania has decided to exit from its final tourism operation through the sale of the Tahune Airwalk business, and this sale process is currently underway.

Work is also continuing on determining the optimum timing and approach to transitioning out of direct exports of forest products in a way that appropriately manages risk, retains margin where possible, and supports business continuity.

Following the Government's announcement of the initial outcomes of its Southern Residues Expression of Interest process, Forestry Tasmania has worked with several identified private sector proponents to develop agreed terms for the commercial use of residues produced from harvesting operations in public native forests in the south of the state. At the time of writing, two contracts have been signed for the sale of up to 330,000 tonnes of residues per year, which will significantly improve Forestry Tasmania's bottom line from 2016/17 by increasing the net return it receives for these residues.

The other major area of Review-related work during the year has been providing input to a Treasury-led process that has been tasked by Government with reviewing and recommending options for the sale, or partial sale, of Forestry Tasmania's hardwood plantation estate. Forestry Tasmania's input to this process has included providing advice on the potential impacts of various sale options on future sawlog and peeler log supplies, and on sustainable yield. This has included consideration of the current status of plantation pruning and thinning operations, the contribution the pruned and thinned area will make to future sawlog supply, and the period over which this supply might be needed.

The Government has previously agreed that Forestry Tasmania will be allowed to sell as much of the hardwood plantations as is necessary to fund its operating deficit and transitional costs as it moves to a financially sustainable model. While the timing of any potential sale of hardwood plantations is not yet decided, in the interim, Forestry Tasmania will borrow to meet these costs.

CONTRIBUTION TO THE ECONOMY

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

In 2015/16 Forestry Tasmania made the following measurable socio-economic contributions:

- Payment of \$125 million to 1,116 companies for goods and services provided to Forestry Tasmania. Of these payments, 91 per cent (\$113 million) were made to 904 Tasmanian-based companies.
- Payment of \$20.2 million in wages to more than 200 staff (including the 25 staff at Tahune).
- Provision of forest products to 54 wood processing customers, the majority of which have Tasmanian-based sawmilling operations.

Under the Buy Local Guidelines for Tasmanian Government Businesses, entities are required to establish appropriate reporting regimes in relation to purchases, consultants and the use of Tasmanian businesses and provide details of these annually through their respective Annual Reports. Details for Forestry Tasmania for the 2015-16 financial year are provided in the table below.

BUY LOCAL

Purchases from Tasmanian businesses	
% of purchases from Tasmanian businesses	91%
Value of purchases from Tasmanian businesses (\$ millions)	\$113.38
Consultancies valued at more than \$50,000 (ex GST)	
There were no consultants engaged for \$50,000 or more	-
There were 6 consultants engaged for \$50,000 or less totalling	\$51,907

PAYMENT OF ACCOUNTS

Measure	
Creditor days	23
Number of accounts due for payment	7,446
Number of accounts paid on time	5,871
Amount due for payment	\$125,282,240
Amount paid on time	\$118,313,963
Number of payments for interest on overdue accounts	-
Interest paid on overdue accounts	-

Payments not paid in accordance with the due date required further action prior to final payment being made. For example, invoices not received, incomplete, inaccurate or were disputed due to goods and services not matching invoice detail.



5 transition to a new operating model and achieve financial self sustainability



performance against corporate objectives

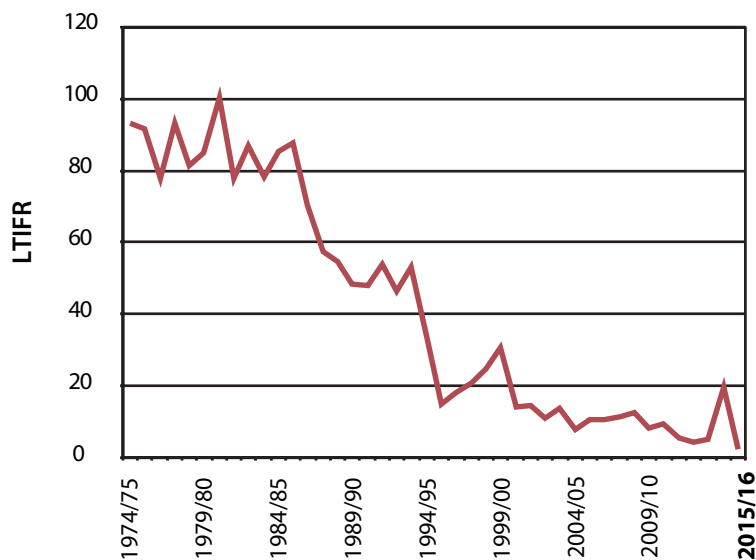
6 A safe, healthy and productive workplace

SAFETY PERFORMANCE

Forestry Tasmania achieved its best ever safety performance during 2015/16, with our lowest ever rate of Lost Time Injuries and achievement of all nine of our safety performance targets.

This is a major improvement from Forestry Tasmania's disappointing safety performance in 2014/15, which included ten Lost Time Injuries and a Lost Time Injury Frequency Rate of 19.61, the highest it had been since 1999/2000. In contrast, Forestry Tasmania had only one Lost Time Injury in 2015/16 and our Lost Time Injury Frequency Rate in 2015/16 was down to 2.41.

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



In addition, our harvest and haulage contractors achieved a Lost Time Injury Frequency Rate of 8.16 (compared to 11.84 in 2014/15), the best result for 4 years.

This significant turnaround in safety performance is the result of the implementation of a new safety strategy, an increased focus on safety across the business, and the efforts of all our employees in proactively identifying and mitigating risks.

We also continued with our health and wellbeing program in 2015/16 with 125 staff participating in individual health assessments and regular consultations, as well as attending short presentations on various health and wellbeing themes. Forestry Tasmania's certification to Australian and New Zealand Standard 4801: Occupational Health Management Systems also remains in place following the required surveillance audit.

Workplace Health and Safety Act 2012 compliance

In the 2015/16 financial year, Forestry Tasmania was not issued with any *Work Health and Safety Act 2012* enforcement notices by WorkSafe Tasmania.

Workers compensation

Forestry Tasmania received 6 workers compensation claims during 2015/16 compared to 21 in 2014/15. Of these, 50 per cent were able to be finalised within the financial year. The cost of all claims was just under \$100,000 and while this was slightly over target (by approximately 5 per cent), this includes the settlement of three long standing claims.

ENTERPRISE AGREEMENT

Forestry Tasmania's current Enterprise Agreement took effect in May 2015 and had a nominal expiry date of 1 July 2016. In that agreement, we committed to developing and implementing a revised Classification and Remuneration Structure to be applied in our next agreement. Extensive work was undertaken through 2015/16 in developing a new broadband structure based on independent expert review and advice. Forestry Tasmania commenced negotiations with staff and unions in March 2016 on a new Enterprise Agreement which reflects this new Remuneration and Classification Structure. At the time of writing this report these negotiations were continuing.

DIVERSITY POLICY

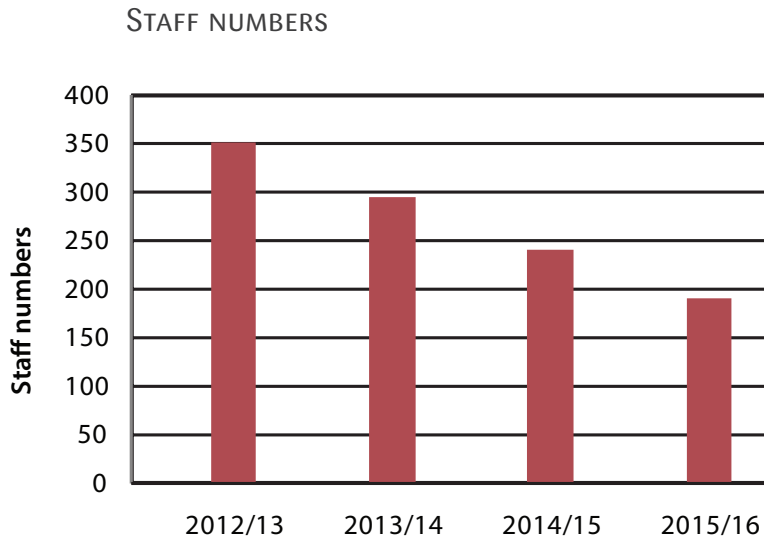
Forestry Tasmania is committed to providing an inclusive and collaborative workplace culture which values and promotes diversity at all levels within our organisation. To formalise this commitment, we adopted a Diversity Policy in 2016 that promotes diversity in the workplace and focuses on removing barriers to equal participation across all roles in the workforce, and ensuring workplace practices are fair and equitable for our people.

Implementation of our diversity commitments will enable Forestry Tasmania to attract, retain and motivate the best possible talent to fully engage the communities in which we operate, to develop and implement innovative solutions to meet business needs, and to ultimately succeed in reaching our business objectives. This will include recruiting and managing on the basis of competence and performance regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background.

STAFF NUMBERS

Consistent with previous years, staff numbers at Forestry Tasmania reduced in 2015/16, as the business continued to focus on reducing expenses and improving internal operating efficiencies.

Reductions occurred early in the 2015/16 financial year as those remaining employees impacted by the 2014/15 redundancy program left the business. In addition, Forestry Tasmania had 18 resignations. As at 30 June 2016, Forestry Tasmania had 178 full time equivalent employees. In addition, the Tahune AirWalk had 12.5 full time equivalent employees.





Board of Directors: (Left to Right) Professor Mark Hunt, Dr Lyndall Bull, Dr Christine Mucha, Ms Suzanne Baker, Mr Tony Ferrall, Chairman, Rob de Fégely

Forestry Tasmania corporate governance disclosures 2015-16

As a State-owned Government Business Enterprise, the Board of Directors is responsible to the Tasmanian Shareholder Ministers for the achievement of Forestry Tasmania's objectives, as prescribed in legislation, and reflected in both the Ministerial Charter and the Statement of Corporate Intent.

The primary legislation governing Forestry Tasmania's management and operations include the *Government Business Enterprises Act 1995 (GBE Act)*, *Forest Management Act 2013* and *Forestry (Rebuilding the Forest Industry) Act 2014*. Forestry Tasmania does not have a constitution.

Membership of the Board was refreshed during 2015/16 with the appointment of an independent interim Non-Executive Chair and three new Non-Executive Directors in January, followed by a new independent, Non-Executive Chair in May.

As at 30 June 2016, all Directors are non-executive and are all independent.

Board composition

The background, skills and experience of the Directors as at 30 June 2016 are provided below.

Rob de Fégely (Chairman), BSc (Forestry), MSC (Forest Business Management), FAICD

Rob de Fégely is a founding Director of Margules Groome Consulting Pty Ltd, a forest and forest industry consulting company based in Australia and New Zealand. He is Co-Chair of the Commonwealth Governments' Forest Industry Advisory Council with Senator the Hon Anne Ruston and is also the Forestry representative on the Agricultural Industry Advisory Council chaired by Deputy Prime Minister, the Hon Barnaby Joyce.

Rob is Chairman of Cape York Timber in far north Queensland and formerly a Non-Executive Director of VicForests. He is also the National President of the Institute of Foresters of Australia. Rob is a member of Greening Australia's Victorian Advisory Committee and a member of the NSW National Parks and Wildlife Services' regional advisory council for the Far South Coast.

Rob has worked in the Australian forest industry for 36 years and is a Registered Professional Forester with a Bachelor of Science (Forestry) from the Australian National University and a Master of Science (Forest Business Management) from Aberdeen University in the United Kingdom.

He is a Fellow of the Australian Institute of Company Directors and the Australian Rural Leadership Program.

Rob is an independent Director of Forestry Tasmania.

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

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

Sue is an independent Director of Forestry Tasmania.

Dr Lyndall Bull, BSc, BForSc (Hons), PhD, MIFA, GAICD

Dr Lyndall Bull has extensive global experience in the forest sector, including in strategic management, innovation and product development, market analysis and research management. Lyndall has served on a range of Boards including the CRC for Forestry, and was the inaugural Chair of the South Australian Forest Industry Development Board.

Lyndall is the founder and Principal of Lynea Advisory where she provides advice to a range of clients in the primary industry sector regarding new product development, innovation, research management and sustainability.

Lyndall has a PhD (focussing on forest product development), a Bachelor of Forest Science (Hons) and a Bachelor of Science from the University of Melbourne.

Lyndall is an independent Director of Forestry Tasmania.

Tony Ferrall, BComm, FCPA, MAICD

Tony was appointed as Secretary of the Department of Treasury and Finance in August 2013. His previous appointments include Deputy Secretary Budget and Finance Division, Department of Treasury and Finance and Executive Director, Finance and Administration at the University of Tasmania.

As well as being a Director of Forestry Tasmania, Tony is Chairman of the Tasmanian Public Finance Corporation.

Tony has extensive experience in the areas of public finance and public policy from a career spanning over 30 years, including ten years in the banking industry. He holds a Commerce Degree and is a Fellow of CPA Australia and a member of AICD.

Tony is an independent Director of Forestry Tasmania.

Professor Mark Hunt, BAppSc (Hons), PhD, MBA, MIFA, GAICD

Professor Mark Hunt is currently Professor of Forestry Science at the University of Tasmania and Deputy Director of the Australian Research Council Training Centre for Forest Value.

Mark has over 20 years' experience in research and research management working with state and federal governments and universities mainly in Tasmania and Queensland. His experience has primarily been based in the forestry sector, including domestic and international work in industrial and small-scale contexts.

Mark holds a Bachelor of Applied Science (Hon) degree, is a Doctor of Philosophy and also holds an MBA. Mark is a graduate of the Australian Institute of Company Directors and a member of the Institute of Foresters of Australia.

Mark is an independent Director of Forestry Tasmania.

Dr Christine Mucha, BAgSc (Hons), PhD, DipAgEc, FAICD, ComplEng

Dr Christine Mucha has extensive executive management experience in primary industries and water including over 14 years as CEO in the Tasmanian water industry, Hobart Water and Onstream until 2011.

Christine holds a Bachelor of Agricultural Science degree, Doctorate of Philosophy, Post graduate diploma in Agricultural Economics and has studied Advanced Management at Insead International School of Business Management, France. She is a Fellow of the Australian Institute of Company Directors and Companion of Engineers Australia.

Christine's expertise encompasses change management, organisational transition and growth, strategic and operational improvements and stakeholder management. Christine is currently Chair, Wellington Park Management Trust; independent Director of Dial Before You Dig Victoria/Tasmania; and Lifeline Tasmania; member of Inland Fisheries Advisory Council (Tasmania) and RDA Tasmania, and formerly Director, TasTAFE (term completed 30 June 2016) and member Tasmanian Natural Resource Management Council.

Christine is an independent Director of Forestry Tasmania.

Board and Committee composition and meeting attendances

As at 30 June 2016, the Board had three Committees in operation: Finance Audit & Risk Management (FA&RMC); Environment, Safety and Health (ESH); and Remuneration and Board Nomination (RemCo). At the beginning of 2015-16, the Board's Major Projects Committee was disbanded and, in October 2015, the Stakeholder Engagement & Communications Committee (SE&C) and the Forest Stewardship Council Committee merged with the Environment, Safety and Health Committee.

Meeting attendances during the year are as follows:

E= eligible A = attended

	BOARD		FA&RMC		ESH		SE&C		RemCo		
	E	A	E	A	E	A	E	A	E	A	
Mr Rob de Fégely appointed 1.6.16 Non-Executive Chair (1 meeting) RemCo Chair	1	1									
Dr Dan Norton AO 28.1.16 – 31.5.16 Interim Non-Executive Chair (5 meetings) RemCo Chair	5	5									
Mr Bob Annells 24.9.12 – 31.1.16 Executive Chair (7 meetings) RemCo Chair to 27.1.16 (4 meetings)	7	7					2	2	4	4	
Dr Lyndall Bull appointed 22.12.15	7	7			2	2			1	1	
Ms Suzanne Baker appointed 15.12.15	7	7	2	2					1	1	
Mr Geoff Coffey 1.7.07 – 27.8.15 FA&RMC Chair to 27.8.15 (2 meetings)	3	3	2	2							
Mr Tony Ferrall appointed 25.5.15; reappointed 23.5.16	13	12	5	5					4	3	
Prof Mark Hunt appointed 22.12.15	7	7			2	2			1	1	
Dr Christine Mucha appointed 29.4.13; reappointed 23.5.16 Chair, FA&RMC from 27.8.15 (5 meetings) Chair, ESH from 1.7.15 (2 meetings) Chair SE&C until October 2015 (2 meetings)	13	13	7	7	3	3	2	2	4	4	
Mr Robert (Bob) Smith 9.7.12 - 25.11.15 ESH Chair to 25.11.15 (1 meeting)	6	3			1	1	2	2	3	2	
Mr Rob Woolley 29.4.13 - 31.1.16	7	5	4	2					4	3	

The Board commissioned a project this year to refresh its corporate governance framework. As a result, the Board formally adopted the Tasmanian Government Corporate Governance Guidelines, supplemented by the ASX Corporate Governance Principles.

The governance project will be completed during 2016/17. At that time, Forestry Tasmania expects to comply with all relevant Principles as adapted to its context.

The remainder of this Governance Report summarises the primary disclosures required under the adopted Corporate Governance Guidelines and Principles. A comprehensive governance disclosure document for 2015/16, together with relevant charters, codes and policies, is available on Forestry Tasmania's website:

www.forestrytas.com.au/about-us

Principle 1: Lay solid foundations for management and oversight

Forestry Tasmania complies with the key elements of Principle 1.

Under the *GBE Act*, the Board is responsible for Forestry Tasmania's overall direction, management, operation, performance and corporate governance. During the year, the Board approved a new Charter which amongst other things, describes the roles and responsibilities of the Board, Chair, individual Directors, committees and the CEO. The content of the Board Charter meets the recommended content under Principle 1.

An Authorisations Policy is in place to formalise delegations from the Board to CEO and management. Matters reserved to the Board will be incorporated in the current review of the policy and subsequently published on Forestry Tasmania's website.

The Board also approved a new policy framework as part of its corporate governance refreshment as well as a Diversity Policy. The Diversity Policy applies to the Board and Management Team in particular, and takes into account Tasmanian Government's Women on Boards strategy. Given the balanced gender mix on the new Board, no diversity objectives have been set but this will be reassessed as needed.

Gender diversity as at 30 June 2016

	Female	Male	Total
Board	3	3	6
CEO & General Management Team	1	5	6

The Directors Selection Advisory Panel, convened by shareholders and supported by Forestry Tasmania, is guided by the Tasmanian Government's *Board Appointments Guidelines and Procedures*.

The Board recognises the value of regular evaluation of its performance, as well as that of its committees and directors. In light of its new composition, this year's Board evaluation has been deferred until the end of the calendar year.

Through its Remuneration and Board Nomination Committee, the Board evaluated the CEO's performance as scheduled in 2015/16 and has reviewed the performance of the General Management Team with the CEO.

Principle 2: Structure the Board to add value

Forestry Tasmania complies with Principle 2.

In line with the Tasmanian Government's *Board Appointments Guideline*, directors' terms are generally three years. The CEO is not a member of the Board and the positions of Board Chair and CEO are held by different people.

The Board skills matrix is shared with the Directors Selection Advisory Panel and was used to guide the Board refreshment in 2015/16. The skills matrix was updated again in August 2016 to reflect the current and foreseeable skills and expertise required to oversee Forestry Tasmania.

The Board has a Remuneration and Board Nomination Committee (RemCo). More information on the committee is provided under Principle 8.

The independence of each Director was assessed against the recommended criteria in Principle 2 during the year and the status of independence is recorded in each Director's biography.

Forestry Tasmania's Director induction and professional development programs are based on the Tasmanian Government's *Director Induction, Education and Training Guideline*. Under these programs, two directors attended AICD's Board and Strategy training course in 2015-16.

Principle 3: Promote ethical and responsible decision-making

Forestry Tasmania complies with Principle 3.

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

Forestry Tasmania is also committed to complying with all relevant legislation, lawful directives of shareholders and company policies. In 2015/16, the Board approved a new compliance policy and framework that is currently being implemented throughout Forestry Tasmania.

Forestry Tasmania is subject to the *Right to Information Act 2009* and the *Public Interest Disclosures Act 2002*. In 2015/16 the following activity occurred under these Acts.

Right to Information Act	2015/16
Number of applications for assessed disclosure received	14
Number of applications for assessed disclosure refused	0
Number of applications for assessed disclosure exempt under: • Section 26 (2); Section 27 (2); Section 37 (2); section 38 (3)	6
Number of applications reviewed internally and the outcomes of the reviews: • upheld in full (2) • upheld in part (1)	3
Number of applications reviewed by the Ombudsman and the outcomes of the reviews: • not yet determined	2

Public Interest Disclosures Act	2015/16
Number of disclosures received by Forestry Tasmania	nil
Number of disclosures reported by Forestry Tasmania to the Ombudsman	nil
Number of disclosures referred to Forestry Tasmania by the Ombudsman	nil

Principle 4: Safeguard integrity in financial reporting

Forestry Tasmania complies with Principle 4.

The Finance Audit and Risk Management Committee (FA&RMC) comprises 3 members, all of whom are Non-Executive Directors and are all independent. The Committee Chair is not the Board Chair but is an independent Director. The qualifications, skills and expertise of committee members meet the suggested criteria for an audit committee. These are listed in the Directors' biographies, along with meeting attendances.

The Charter of the Committee is approved by the Board and meets the recommended content for audit committees.

The process for approving the annual financial statements includes declarations from the CEO and Executive General Manager Corporate Services (CFO-equivalent) in relation to the proper maintenance of the financial records and the accurate representation of Forestry Tasmania's financial performance and position. Reference to these declarations is included in the Board's certification of the financial statements at the end of the Annual Report.

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

Principle 5: Make timely and balanced disclosure

Forestry Tasmania complies with Principle 5.

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

Principle 6: Respect the rights of security holders

Forestry Tasmania complies with Principle 6.

The *Government Business Enterprises Act 1995* prescribes the rights and powers of shareholders while the Ministerial Charter specifies the shareholders' expectations of the Board and Forestry Tasmania, and the Statement of Corporate Intent summarises the key performance measures to be achieved each year.

Requirements of the Tasmanian Government's *Reporting Guidelines* are incorporated into Forestry Tasmania's systems and processes to ensure that shareholders are fully informed of financial and operating performance throughout the year.

The *GBE Act* does not mandate an annual general meeting, however the Board Chair and CEO meet regularly with shareholders and their representatives during the year.

Principle 7: Recognise and manage risk

Forestry Tasmania complies with Principle 7.

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

The Committee reviews the risk management framework to ensure it adequately identifies and mitigates actual and emerging risks for Forestry Tasmania, and reports to the Board on these issues at least annually. In 2015/16, the Board approved a new risk management framework that is currently being implemented throughout Forestry Tasmania.

The Environment, Safety & Health Committee assists the Board to manage Forestry Tasmania's environmental, safety and health risks. This Committee works within the approved risk management and compliance frameworks to ensure that these important areas are sufficiently monitored, reviewed and controlled.

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

Details of the composition, qualifications and meeting attendances of the Finance Audit & Risk Management Committee and Environment, Safety and Health Committee are included in this document.

Principle 8: Remunerate fairly and responsibly

Forestry Tasmania complies with Principle 8.

The Board has a Remuneration and Board Nominations Committee (RemCo) comprising all Non-Executive Directors and chaired by the Board Chair. RemCo's role is to assist the Board in relation to executive remuneration strategies and policies, and to support both the Board and the Directors Selection Advisory Panel in relation to Board appointments.

Membership, qualifications and meeting attendances for RemCo are explained earlier in this document. The content of the Committee's Charter meets the relevant aspects of Principle 8.

Remuneration for Non-Executive Directors is determined directly by shareholders in accordance with the Tasmanian Government Board and Committee Remuneration Framework. Board fees (exclusive of superannuation) for Director Tony Ferrall are paid directly to the Department of Treasury and Finance.

Remuneration for Directors comprises a cash component and legislated superannuation contributions.

Forestry Tasmania's Executive Remuneration Policy is based on the Tasmanian Government's *Directors and Executive Remuneration Guideline*. The Guideline specifies the permissible components of executive remuneration, incentive programs, links to performance, and reporting and disclosure requirements. RemCo reviews and recommends to the Board all matters related to the CEO's remuneration, including short-term incentives, and the remuneration of the General Management Team.



SEED COLLECTION LABEL
Number 1 Lahop
Site E del
Date 11/24
Collector AS 1081
Number of Plants 1
Number of Seeds 1000
Collector AS

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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 2016.

DIRECTORS

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

Board Members	Position	Start Term	End Term
Rob de Fégely	Chairman	01-Jun-2016	
Dr. Christine Mucha	Director	29-Apr-2013	
Tony Ferrall	Director	22-May-2015	
Sue Baker	Director	15-Dec-2015	
Prof. Mark Hunt	Director	22-Dec-2015	
Dr. Lyndall Bull	Director	22-Dec-2015	
Dan Norton	Chairman	28-Jan-2016	31-May-2016
Robert Annells PSM	Chairman	24-Sep-2012	27-Jan-2016
Geoff Coffey	Director	01-Jul-2007	27-Aug-2015
Robert Smith	Director	09-Jul-2012	25-Nov-2015
Robert Woolley	Director	29-Apr-2013	31-Jan-2016

PRINCIPAL ACTIVITIES

The principal purpose of Forestry Tasmania is to manage and control all permanent timber production zone land and to undertake forest operations on permanent timber production zone land for the purpose of selling forest products.

RESULTS

The net profit/(loss) after tax result of the consolidated entity was a \$46.423 million loss (2014-15: \$18.681 million profit after tax).

Forestry Tasmania had consolidated borrowings (net of cash) at 30 June 2016 of \$9.5 million (2014-15 borrowings (net of cash) of \$25.4 million). Operating and investing cash flows in FY16 were -\$14.0 million, an improvement of \$11.6 million over FY15. The 2015-16 result compares to a combined cash outflow of \$25.664 million for 2014-15. Operating cash outflows improved by \$4.983 million despite increases in redundancy, annuity and lump sum payments of \$6.53 million.

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

DIVIDENDS

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

EVENTS SUBSEQUENT TO REPORTING DATE

There have been no other matters and/or circumstances that have arisen since the end of the reporting period.

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

Dated at Hobart, this 15th day of August 2016

Signed in accordance with a resolution of Directors:



Rob de Fégely
Chairman



Dr Christine Mucha
Director

Statement of Comprehensive Income

Forestry Tasmania

For the year ended 30 June 2016

	Note	Consolidated		Parent Entity	
		2016 \$'000	2015 *restated \$'000	2016 \$'000	2015 *restated \$'000
Revenue					
Trading revenue					
Revenue from forest sales	2(e), 4	107,303	103,153	107,303	103,153
Government funding (excluding deficit funding)	2(e), 5	20,754	14,408	20,754	14,408
Other income	2(e), 5	8,199	9,976	6,460	8,484
Finance income	2(t), 7	40	271	40	271
Share of net profit/(loss) after tax of joint ventures accounted for using the equity method	2(i)	(43)	(51)	(43)	(51)
Biological asset valuation increment /(decrement)	2(k), 15	-	37,384	-	37,384
Movement in obligations for non-commercial zones	2(s)	-	3,400	-	3,400
Total revenue		136,253	168,541	134,514	167,049
Expenses					
Trading expenses					
Expense from operations	6	(148,016)	(148,196)	(145,011)	(148,640)
Finance expense	2(t), 7	(6,918)	(6,964)	(6,729)	(6,682)
Loss on sale of assets	2(m), 8	(647)	(98)	(2)	(98)
Biological asset valuation increment /(decrement)	2(k), 15	(14,620)	-	(14,620)	-
Movement in obligations for non-commercial zones	2(s), 22	(3,500)	-	(3,500)	-
Total expenses		(173,701)	(155,258)	(169,862)	(155,420)
Net profit/(loss) before tax		(37,448)	13,283	(35,348)	11,629
Income tax (expense)/benefit on net profit / loss	10a	(8,975)	5,398	(9,118)	4,220
Net profit/(loss) after tax		(46,423)	18,681	(44,466)	15,849
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Increase/(decrease) in the revaluation of land and buildings	2(u), 16	(457)	431	(457)	431
Gain/(loss) on remeasurement of defined benefit liability	2(q), 24	(29,488)	17,563	(29,488)	17,563
Income tax on revaluation of land and buildings	10d	137	(129)	137	(129)
Income tax on remeasurement of defined benefit liability	10d	8,846	(5,268)	8,846	(5,268)
Total items that will not be reclassified to profit or loss		(20,962)	12,597	(20,962)	12,597
Total comprehensive income/(expense) for the year attributable to the equity holders of the parent		(67,385)	31,278	(65,428)	28,446

* restated for change in accounting policy (see note 2r)

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

Statement of Financial Position

Forestry Tasmania

As at 30 June 2016

	Note	Consolidated			Parent Entity		
		2016 \$'000	2015 restated * \$'000	2014 restated * \$'000	2016 \$'000	2015 restated * \$'000	2014 restated * \$'000
Current Assets							
Cash and cash equivalents	12(a)	4,872	7,820	314	4,754	7,575	239
Trade and other receivables	13	10,855	15,577	15,162	10,489	15,184	14,852
Inventories	14	8,669	7,055	10,871	8,669	7,055	10,871
Biological assets	15	10,241	8,999	24,716	10,241	8,999	24,716
Assets held for sale	9	-	435	-	-	435	-
Total Current Assets		34,637	39,886	51,063	34,153	39,248	50,678
Non Current Assets							
Trade and other receivables	13	84	84	84	3,244	4,074	13,515
Biological assets	15	197,459	209,326	146,627	197,459	209,326	146,627
Property, plant and equipment	16	13,828	27,231	38,674	13,379	19,808	21,088
Intangible assets	17	-	-	14	-	-	14
Investments accounted for using the equity method		-	-	486	-	-	486
Other investments	18	5	5	575	5	5	575
Net deferred tax asset	10(c)	0	0	0	-	223	1,543
Total Non Current Assets		211,376	236,646	186,460	214,087	233,436	183,848
Total Assets		246,013	276,532	237,523	248,240	272,684	234,526
Current Liabilities							
Trade and other payables	19	13,028	14,739	14,821	12,934	14,654	14,738
Revenue received in advance	20	3,429	2,725	6,029	3,429	2,725	5,577
Interest bearing liabilities	21	14,400	33,223	221	14,400	33,200	200
Obligations for non-commercial forest zones	22	394	190	1,153	394	190	1,153
Re-establishment provision	23	1,637	145	-	1,637	145	-
Employee benefits	24	9,037	9,936	10,168	9,037	9,936	10,168
Total Current Liabilities		41,925	60,958	32,392	41,831	60,850	31,836
Non Current Liabilities							
Trade and other payables	19	10	2,809	10	978	3,000	4,004
Revenue received in advance	20	15,306	15,306	20,621	15,306	15,306	15,306
Interest bearing liabilities	21	-	3,326	3,347	-	-	-
Obligations for non-commercial forest zones	22	7,606	4,310	6,747	7,606	4,310	6,747
Re-establishment provision	23	3,463	433	117	3,463	433	117
Employee benefits	24	152,676	126,970	143,147	152,676	126,970	143,147
Total Non Current Liabilities		179,061	153,154	173,989	180,029	150,019	169,321
Total Liabilities		220,986	214,112	206,381	221,860	210,869	201,157
Net Assets		25,027	62,420	31,142	26,380	61,815	33,369
Equity							
Contributed equity		276,306	246,306	246,306	276,306	246,306	246,306
Reserves		6,242	7,565	8,246	6,009	7,332	8,013
Retained earnings / (Accumulated losses)		(257,521)	(191,451)	(223,410)	(255,935)	(191,823)	(220,950)
Total Equity		25,027	62,420	31,142	26,380	61,815	33,369

* restated for change in accounting policy (see note 2r)

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

Statement of Cash Flows

Forestry Tasmania

For the year ended 30 June 2016

	Note	Consolidated		Parent Entity	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash flows from operating activities					
Inflows:					
Cash receipts from customers		130,433	124,689	128,669	123,625
Government funding (excluding deficit funding)	2(e)	21,355	12,826	21,355	11,674
Interest received	7	40	96	40	96
Outflows:					
Payments to suppliers		(131,628)	(121,602)	(130,016)	(119,857)
Employee costs		(15,761)	(22,688)	(15,761)	(22,688)
Redundancy payments		(2,147)	(1,188)	(2,147)	(1,188)
RBF annuity payments		(4,775)	(4,467)	(4,775)	(4,467)
RBF lump sum payments		(7,718)	(2,455)	(7,718)	(2,455)
Borrowing costs paid	7	(313)	(707)	(313)	(707)
Net cash provided by / (used in) operating activities	12(b)	(10,514)	(15,496)	(10,666)	(15,967)
Cash flows from investing activities					
Inflows:					
Proceeds from investments (dividend)		-	80	-	80
Proceeds from sale of property, plant and equipment		4,388	275	4,388	275
Government funding (excluding deficit funding)		979	1,152	979	1,152
Outflows:					
Payments to suppliers and employees for biological assets		(5,158)	(9,452)	(5,158)	(9,452)
Payments to acquire non-controlling interest		(3,499)	(1,399)	(3,499)	(1,399)
Payments for property, plant and equipment and other assets		(65)	(353)	(65)	(353)
Net cash provided by / (used in) investing activities		(3,355)	(9,697)	(3,355)	(9,697)
Cash flows from financing activities					
Outflows:					
Finance lease payments		(280)	(301)	-	-
(Repayment of) / proceeds from borrowings		11,200	33,000	11,200	33,000
Net cash provided by / (used in) financing activities		10,921	32,699	11,200	33,000
Net increase/(decrease) in cash and cash equivalents held		(2,948)	7,506	(2,821)	7,336
Cash and cash equivalents at the beginning of the year		7,820	314	7,575	239
Cash and cash equivalents at the end of the year	12(a)	4,872	7,820	4,754	7,575

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

Statement of Changes In Equity

Forestry Tasmania

For the year ended 30 June 2016

Consolidated	Contributed Equity \$'000	Property & General Revaluation Reserve \$'000	Retained Earnings/ (Accumulated losses) \$'000	Total Equity \$'000
Balance at 30 June 2014 restated *	246,306	8,246	(223,410)	31,142
Total comprehensive income for the year				
Profit or loss	-	-	18,681	18,681
<i>Other comprehensive income</i>				
Increase/(decrease) in the revaluation of land and buildings	-	302		302
Transfer of revaluation increments on disposal of asset		(983)	983	-
Remeasurement defined benefit superannuation liability	-	-	12,295	12,295
Transfer to retained earnings		-	-	-
<i>Total other comprehensive income</i>	-	(681)	13,278	12,597
Total comprehensive income for the year	-	(681)	31,959	31,278
Transactions with owners, recorded directly in equity				
<i>Contributions by and distributions to owners</i>				
Equity contribution	-	-	-	-
Tax effect on equity contribution	-	-	-	-
Dividends to equity holders	-	-	-	-
<i>Total contributions by and distributions to owners</i>	-	-	-	-
Total transactions with owners	-	-	-	-
Balance at 30 June 2015	246,306	7,565	(191,451)	62,420
Balance at 30 June 2015	246,306	7,565	(191,451)	62,420
Total comprehensive income for the year				
Profit or (loss)	-	-	(46,423)	(46,423)
<i>Other comprehensive income</i>				
Increase/(decrease) in the revaluation of land and buildings	-	(320)	-	(320)
Transfer of revaluation increments on disposal of asset		(1,003)	1,003	-
Remeasurement defined benefit superannuation liability	-	-	(20,650)	(20,650)
Transfer to retained earnings		-	-	-
<i>Total other comprehensive income</i>	-	(1,323)	(19,647)	(20,970)
Total comprehensive income for the year	-	(1,323)	(66,070)	(67,393)
Transactions with owners, recorded directly in equity				
<i>Contributions by and distributions to owners</i>				
Equity contribution [#]	30,000	-	-	30,000
Tax effect on equity contribution	-	-	-	-
Dividends to equity holders	-	-	-	-
<i>Total contributions by and distributions to owners</i>	30,000	-	-	30,000
Total transactions with owners	30,000	-	-	30,000
Balance at 30 June 2016	276,306	6,242	(257,521)	25,027

* restated for change in accounting policy (see note 2r)

[#] Equity contribution used to repay debt

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

Statements of Changes In Equity

Forestry Tasmania

For the year ended 30 June 2016

Parent Entity	Contributed Equity \$'000	Property & General Revaluation Reserve \$'000	Retained Earnings / (Accumulated losses) \$'000	Total Equity \$'000
Balance at 30 June 2014 restated *	246,306	8,013	(220,950)	33,369
Total comprehensive income for the year				
Profit or loss	-	-	15,849	15,849
<i>Other comprehensive income</i>				-
Increase/(decrease) in the revaluation of land and buildings	-	302	-	302
Transfer of revaluation increments on disposal of asset	-	(983)	983	-
Remeasurement defined benefit superannuation liability	-	-	12,295	12,295
Transfer to retained earnings	-	-	-	-
<i>Total other comprehensive income</i>	-	(681)	13,278	12,597
Total comprehensive income for the year	-	(681)	29,127	28,446
Transactions with owners, recorded directly in equity				
<i>Contributions by and distributions to owners</i>				
Equity contribution	-	-	-	-
Tax effect on equity contribution	-	-	-	-
Dividends to equity holders	-	-	-	-
<i>Total contributions by and distributions to owners</i>	-	-	-	-
Total transactions with owners	-	-	-	-
Balance at 30 June 2015	246,306	7,332	(191,823)	61,815
Balance at 30 June 2015	246,306	7,332	(191,823)	61,815
Total comprehensive income for the year				
Profit or (loss)	-	-	(44,466)	(44,466)
<i>Other comprehensive income</i>				-
Increase/(decrease) in the revaluation of land and buildings	-	(320)	-	(320)
Transfer of revaluation increments on disposal of asset	-	(1,003)	1,003	-
Remeasurement defined benefit superannuation liability	-	-	(20,649)	(20,649)
Transfer to retained earnings	-	-	-	-
<i>Total other comprehensive income</i>	-	(1,323)	(19,646)	(20,969)
Total comprehensive income for the year	-	(1,323)	(64,112)	(65,435)
Transactions with owners, recorded directly in equity				
<i>Contributions by and distributions to owners</i>				
Equity contribution [#]	30,000	-	-	30,000
Tax effect on equity contribution	-	-	-	-
Dividends to equity holders	-	-	-	-
<i>Total contributions by and distributions to owners</i>	30,000	-	-	30,000
Total transactions with owners	30,000	-	-	30,000
Balance at 30 June 2016	276,306	6,009	(255,935)	26,380

* restated for change in accounting policy (see note 2r)

[#] Equity contribution used to repay debt

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

Notes to the Financial Report

Forestry Tasmania

For the year ended 30 June 2016

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 2016 were authorised for issue by the Board of Directors on 11 August 2016.

(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, roads, land under buildings and buildings are all measured at fair value;
- Obligations for non-commercial zones are disclosed in note 2(s);
- Superannuation liability is based on the projected unit credit method (note 2q); and
- Assets held for sale (note 9)

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

Going concern

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

The Directors' review considered the following points:

- Forestry Tasmania has improved its operating and investing cash flows but continues to generate losses.
- Forestry Tasmania has access to an adequate borrowing facility to fund losses in the short term with borrowings to be repaid by the sale of hardwood plantation timber. A letter has been received from Tasmania Public Finance Corporation which provides an appropriate limit and waives certain rights for FY17.
- Work continues with the Government to transition Forestry Tasmania to a sustainable operating model in an appropriate time frame.
- A letter from the Portfolio Minister and the Treasurer has been received which provides certain assurances, including a reference to an assurance to Tasmania Public Finance Corporation that the Government will ensure that Forestry Tasmania is able to meet all its obligations to Tasmania Public Finance Corporation, as and when they fall due.

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

(c) Significant accounting judgements, estimates and assumptions

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

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

Fair value measurement

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

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

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

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

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

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

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

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

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

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

(d) Basis of consolidation

i) Subsidiaries

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

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

ii) Joint ventures

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

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

iii) Transactions eliminated on consolidation

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

(e) Revenue recognition

Sales revenue

Sale of goods

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

Services

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

Tasmanian Community Forest Agreement Income

The revenue from the Tasmanian Community Forest Agreement (TCFA) is recognised as income when the expenses have been incurred in relation to the specific projects for which funds have been received. Any remaining funds are held as revenue received in advance until relevant expenditure has been incurred. (Refer note 20). Ongoing capital commitments under the TCFA funding are disclosed in note 25c.

Government grants

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

Reimbursement for non-commercial activity costs

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

Forestry rights

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

Forest valuation movement

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

(f) Goods and services tax

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

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

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

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

(g) Dividend policy

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

(h) Leased assets

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

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

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

(i) Financial instruments

(i) Non-derivative financial instruments

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

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

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

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

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

Deferred income is recognised as follows:

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

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

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

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

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

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

(ii) Derivative financial instruments

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

(j) Inventories (excluding forest assets)

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

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

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

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

Forest estate valuation methodology

1) Forest

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

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

In 2016, the obligation to re-establish harvested coupes is recognised by Forestry Tasmania by setting aside a provision equivalent to the expected costs of re-establishment. The provision calculation is based on harvested area and relevant treatment cost. The provision results in the creation of a make good asset identified under biological assets. The value of the make good asset is treated as a reallocation between the forest and make good asset.

2) Roads

The carrying value of roads is determined using an income model approach. Cash flows in 2016 were based on actual road toll income. This approach is a change from the prior year, where the valuation was based on imputed road tolls (road toll was recognised for every sale, regardless of actual sale contract). Forestry Tasmania reviewed the approach and determined that actual road toll provides a more reliable estimate for determining the carrying value of roads. The change resulted in the value of roads decreasing by \$54.3 million to \$8.5 million. Roads form part of the biological asset, as such, any decrease in road value is reclassified as an increase in forest (refer note 15).

Depreciation and amortisation

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

The estimated useful life for the current and comparative periods is as follows:

- * Roads and road structures - 1 to 20 years

3) Land

Forestry Tasmania has been given exclusive management rights over Permanent Timber Production Zone(PTPZ) land.

Forestry Tasmania does not hold freehold title over the majority of PTPZ but is deemed to control the land by the Forest Management Act 2013. Land is therefore given nil value.

Special Timber Zone land does not provide an economic return to Forestry Tasmania ie costs exceed revenue, therefore these areas have been recognised as a liability. (See note 2(s))

Depreciation and amortisation

Land is not depreciated.

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

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

The methodology applied to estimate the enterprise value and obligations for the biological asset (forest), land and roads involves an income capitalisation approach. The income capitalisation approach involves using a discounted cash flow analysis which estimates the net annual income derived from the forest estate in each year of the projected holding period of the asset. A market derived discount rate is then used to discount these annual net incomes to arrive at a present value of the existing forest crop as required under AASB 141 'Agriculture'. The valuation approach used is equivalent to fair value less costs to sell as required by AASB 141 to value the biological assets.

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

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

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

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

Key assumptions used in the income capitalisation approach

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

- Discount rates:

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

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

- 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 hectareage of each forest zone.

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

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

- 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.

(I) Forest estate valuation - interest in joint ventures

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

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

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

(m) Property, plant and equipment assets

Recognition and measurement

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

Non-current assets measured at fair value are revalued with sufficient regularity to ensure the carrying amount of each asset does not differ materially from fair value at reporting date. Periodic reviews are completed for specifically identified land and buildings every 3 to 5 years by independent valuers. 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 Newwood Holdings Pty Ltd. The assets relate to the infrastructure and development costs associated with the Huon and Smithton wood centre sites.

In determining the impairment value for Newwood assets a five year discounted cash flow model is used. The discount rate applied in 2015/16 is 8.4% compared to the 2014/15 rate of 8.5%.

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

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

Subsequent costs

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

Derecognition and disposal

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

Depreciation and amortisation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Depreciation of plant and vehicles has been recognised in the profit or loss on a diminishing value basis. Assets under finance leases are amortised over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

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

- * Buildings - 10 to 40 years
- * Transmission lines - 25 years
- * Plant and equipment - 2 to 15 years
- * Pre-development costs - 20 years, and
- * Site infrastructure works - 20 years

Capitalisation threshold

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

(n) Intangible assets

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

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

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

Intangible assets related to software development are amortised over 5 years (2015: 5 years). The remaining lives of intangible assets range between 1-5 years.

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

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

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

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

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

ii) Financial assets

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

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

(p) Income tax equivalent

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

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

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

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

(q) Employee benefits

i) Defined contribution 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.

The accounting standard states that the discount rate used to value employee benefit liabilities should be based on the yield on high quality corporate bonds if a deep market for these bonds exists (if not, the discount rate should be based on government bond yields). It has been determined that a deep market does exist. On this basis the Defined Benefit Obligation at 30 June 2016 is based on a corporate bond yield of 3.55% (refer note 24).

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

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

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

iii) Provision for annual leave

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

iv) Provision for long service leave

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

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

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

v) Provision for workers compensation

Forestry Tasmania is a self-insurer for workers compensation. The provision for workers compensation is set at a level to cover estimated medical expenses, compensation payments and likely common law settlements for reported claims as at 30 June 2016. The provision also includes an allowance for incurred but unreported claims at 30 June 2016.

vi) Provision for sick leave

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

(r) Re-establishment provision

Forestry Tasmania has until 2015 recognised re-establishment costs as those costs were incurred. Forestry Tasmania re-establishes coupes at the conclusion of harvesting operations. In 2016, Forestry Tasmania made a change in accounting policy where the obligation to re-establish the harvested coupes is recognised by setting aside a provision equivalent to the expected costs of re-establishment. The provision calculation is based on harvested area and relevant treatment cost. The provision results in the creation of a make good asset identified under biological asset class. The value of the make good asset is treated as a reallocation between the forest and the make good asset. The provision is apportioned between current and non-current liabilities based on the expected timing of re-establishment.

Statement of Comprehensive Income	Consolidated		Parent Entity	
	2015	2015	2015	2015
	\$'000		\$'000	
Net profit/(loss) after tax	19,142		16,310	
Biological asset valuation increment /(decrement) - reallocation of make good	(461)		(461)	
Restated Net profit/(loss) after tax	18,681		15,849	

Statement of Financial Position	Consolidated		Parent Entity	
	2015	2014	2015	2014
	restated *	restated *	restated *	restated *
	\$'000		\$'000	
Biological assets (before restatement)	209,326	146,627	209,326	146,627
Re-establishment make good	461	117	461	117
Reallocation	(461)	(117)	(461)	(117)
Restated Biological asset	209,326	146,627	209,326	146,627

	Consolidated		Parent Entity	
	2015	2014	2015	2014
	restated *	restated *	restated *	restated *
	\$'000		\$'000	
Re-establishment provision (before restatement)	-	-	-	-
Re-establishment provision	578	117	578	117
Restated re-establishment provision	578	117	578	117

	Consolidated		Parent Entity	
	2015	2014	2015	2014
	restated *	restated *	restated *	restated *
	\$'000		\$'000	
Retained earnings (before restatement)	(190,873)	(223,293)	(191,245)	(220,833)
Re-establishment provision	(578)	(117)	(578)	(117)
Restated retained earnings	(191,451)	(223,410)	(191,823)	(220,950)

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

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

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

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

Transactions

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

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

Foreign currency gains and losses are reported on a net basis.

(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.

3 New standards not yet adopted

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

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

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

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

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

	Consolidated		Parent Entity	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
4 Revenue from forest sales				
Domestic and export revenue	107,303	103,153	107,303	103,153
	107,303	103,153	107,303	103,153
5 Other income				
Forest management services income	667	861	667	861
Grants	38	399	38	98
Nursery and seed sales	171	280	171	280
Tourism revenue	2,092	1,996	2,092	1,996
Proponent infrastructure fees	-	150	-	-
Leases and licences	853	701	853	701
Consulting income	381	876	381	876
Reversal of impairment of receivables	-	1,000	-	1,000
Other revenue	3,997	3,713	2,258	2,672
	8,199	9,976	6,460	8,484

	Consolidated		Parent Entity	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Government funding of trading revenue				
Tasmanian Forest Agreement/World Heritage Area implementation funding representing costs incurred to date	5,220	6,005	5,220	6,005
Community Service Obligations	2,620	2,878	2,620	2,878
Fuel reduction	2,000	2,000	2,000	2,000
Fire preparedness	2,000	2,000	2,000	2,000
Fire fighting reimbursement of above average fire fighting costs	8,914	-	8,914	-
Tasmanian Community Forest Agreement - intensive forest management	-	1,525	-	1,525
Total Government funding	20,754	14,408	20,754	14,408

The fire fighting reimbursement received in (5) above, is the difference between the total variable costs incurred in the year fighting bushfires and the ten year average cost incurred on bushfire fighting. In 2016 Forestry Tasmania incurred \$11.1 million in fire fighting costs and received reimbursement of \$8.914 million.

The Tasmanian Forest Agreement/World Heritage Area implementation funding consists of \$3.820 million toward cable harvesting and \$1.4 million for plantation management. The State has provided \$2 million to cover costs incurred in reducing fire fuel and \$2 million toward the cost of ensuring Forestry Tasmania maintains a high level of fire fighting capacity.

	Consolidated		Parent Entity	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
6 Expenses from operations				
6(i) Contractor expenses and other costs				
Contractor and freight expenses	89,850	92,279	89,850	92,277
Firefighting contractor expenses	9,977	403	9,977	403
Vehicle lease and associated costs	2,231	2,698	2,231	2,698
Property rental	2,534	2,346	2,534	2,346
Professional services	1,746	1,769	1,707	1,745
Consultancies	52	207	52	207
Local government rates	1,746	1,860	1,693	1,857
Property management	2,010	1,612	1,184	1,373
Equipment purchases and rentals	610	971	610	971
Office expenses	810	851	810	851
Information technology expense	583	628	583	627
Guarantee fees	140	292	140	292
Travel and accommodation	263	278	263	278
Operating lease rentals	341	350	341	350
Impairment of receivables	92	-	92	-
Impairment of intercompany receivable	-	-	1,012	5,578
Impairment of non-current asset	3,675	3,752	1,235	-
Impairment of investment asset	-	570	-	570
Other	3,893	2,908	3,885	2,890
	120,553	113,774	118,199	115,313
6(ii) Depreciation and amortisation expense				
Plant and equipment	16	446	617	446
Plant and equipment under finance lease	16	651	925	-
Site infrastructure works	16	-	170	-
Roads and road structures	16	5,685	6,168	5,685
Buildings and leasehold improvements	16	401	409	401
Intangibles	17	-	14	-
		7,183	8,303	6,532
6a(iii) Employee benefits expense				
Salaries and wages		16,832	18,463	16,832
Redundancy ¹		-	3,335	-
Other associated expenses		256	334	256
Contribution to accumulation superannuation funds		1,498	1,969	1,498
Employee service cost for defined benefit scheme	24	1,694	2,018	1,694
		20,280	26,119	20,280
		148,016	148,196	145,011

¹ The redundancy program was initiated on 29th April 2015. A total of 59 positions were made redundant during the latter part of 2014/15 and in early July 2015/16. The total redundancy cost is \$3.335 million. Twenty three (23) positions were made redundant in 2014/15 at a total cost of \$1.188 million. The remaining 36 positions were made redundant in July 2015/16 at a cost of \$2.147 million, this figure was accrued in the 2014/15 financial accounts. (refer note 19)

	Consolidated		Parent Entity	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
7 Finance income and expense				
Recognised in profit or loss:				
Interest income	40	96	40	96
Foreign exchange gains	-	175	-	175
Total Finance income	40	271	40	271
Borrowing costs	(313)	(707)	(313)	(707)
Finance charge related to finance lease	(189)	(282)	-	-
Foreign exchange losses	(197)	-	(197)	-
Employee benefit superannuation interest costs	(6,219)	(5,975)	(6,219)	(5,975)
Total Finance expense	(6,918)	(6,964)	(6,729)	(6,682)
8 (Gain)/loss on sale of assets	647	98	2	98
	647	98	2	98
<i>Reconciliation of sale of assets</i>				
Asset cost	8,007	3,274	6,838	3,274
Written down value	5,035	373	4,390	373
Proceeds from sale	(4,388)	(275)	(4,388)	(275)
(Gain)/loss on sale of assets	647	98	2	98
9 Assets held for sale				
Hollybank Treetops Adventure Pty Ltd	-	435	-	435
10 Taxation				
a) Current tax (expense)/benefit				
Adjustments for prior periods	9	-	9	-
Increase/(decrease) in deferred tax asset	10,574	11,230	10,654	11,681
(Increase)/decrease in deferred tax liability	(10,574)	(11,230)	(10,797)	(12,858)
Movement posted direct to other comprehensive income	(8,984)	5,398	(8,984)	5,398
Movement posted direct to equity reserve	-	-	-	-
	(8,975)	5,398	(9,118)	4,220

10 Tax expense to pre tax net loss is reconciled below.

	Consolidated		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
b) Reconciliation between tax (expense)/benefit and pre tax net profit/(loss)				
Profit / (loss) before tax	(37,448)	13,283	(35,348)	11,629
Income tax (expense) benefit using the domestic tax rate of 30% (2015:30%)	11,234	(3,985)	10,604	(3,489)
Expenditure not allowable for income tax purposes	(35)	35	(35)	35
Derecognition of net deferred tax asset of the Tax Consolidated Group	(20,174)	-	(19,383)	-
Recognition of net deferred tax asset of the Tax Consolidated Group	-	9,348	-	9,348
Impairment of intercompany receivable	-	-	(304)	(1,674)
Income tax (expense)/benefit on pre tax net profit	(8,975)	5,398	(9,118)	4,220
c) Deferred tax balances				
<u>Assets</u>				
Non current	58,876	48,302	58,875	48,301
<u>Liabilities</u>				
Non current	58,876	48,302	58,875	48,078
Net tax asset/(liability)	0	0	-	223

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

Consolidated - 2016

	Opening balance \$'000	Under/Over \$'000	Charged to Statement of Comprehen ve Income \$'000	Transferred from Subsidiary \$'000	Charged to equity \$'000	Closing balance \$'000
Deferred tax assets						
Employee benefits	41,070	-	(1,393)	-	8,846	48,523
Revenue received in advance	0	-	-	-	-	0
Receivables and other investments	823	-	11	-	-	834
Other provisions	462	-	1,868	-	-	2,330
Obligations for non-commercial zones	1,350	-	1,050	-	-	2,400
Property, plant, equipment and land	-	-	12,488	-	-	12,488
Superannuation Investment	-	-	129	-	-	129
Revenue losses	16,356	(9)	7,757	-	-	24,104
Derecognition of net deferred tax assets	(11,760)	-	(20,173)	-	-	(31,933)
Transfer - deferred tax asset	(48,302)	-	(10,574)	-	-	(58,876)
Total	0	(9)	(8,837)	-	8,846	0
Deferred tax liabilities						
Biological assets	(43,365)	-	(13,867)	-	-	(57,232)
Inventories	(1,675)	-	31	-	-	(1,644)
Property, plant, equipment and land	(3,189)	-	3,052	-	137	-
Other	(73)	-	73	-	-	-
Transfer - deferred tax asset	48,302	-	10,574	-	-	58,876
Total	-	-	(137)	-	137	-
Net deferred tax assets/(liabilities)	0	(9)	(8,974)	-	8,983	0

Consolidated - 2015

	Opening balance \$'000	Under/Over \$'000	Charged to Statement of Comprehen ve Income \$'000	Transferred from Subsidiary \$'000	Charged to equity \$'000	Closing balance \$'000
Deferred tax assets						
Employee benefits	45,993	-	345	-	(5,268)	41,070
Revenue received in advance	1,225	-	(1,225)	-	-	0
Receivables and other investments	1,582	-	(759)	-	-	823
Other provisions	202	-	260	-	-	462
Obligations for non-commercial zones	2,370	-	(1,020)	-	-	1,350
Revenue losses	6,807	-	9,549	-	-	16,356
Derecognition of Net deferred tax assets	(21,108)	-	9,348	-	-	(11,760)
Transfer - deferred tax asset	(37,072)	-	(11,230)	-	-	(48,302)
Total	0	-	5,268	-	(5,268)	0
Deferred tax liabilities						
Biological assets	(25,401)	-	(17,964)	-	-	(43,365)
Inventories	(1,820)	-	145	-	-	(1,675)
Property, plant, equipment and land	(9,825)	-	6,765	-	(129)	(3,189)
Other	(26)	-	(47)	-	-	(73)
Transfer - deferred tax asset	37,072	-	11,230	-	-	48,302
Total	-	-	129	-	(129)	-
Net deferred tax assets/(liabilities)	0	-	5,397	-	(5,397)	0

	Parent Entity - 2016					Closing balance \$'000
	Opening balance \$'000	Under/Over \$'000	Charged to Statement of Comprehensive Income \$'000	Transferred from Subsidiary \$'000	Charged to equity \$'000	
Deferred tax assets						
Employee benefits	41,071	-	(1,393)	-	8,846	48,524
Revenue received in advance	(1)	-	-	-	-	(1)
Receivables and other investments	822	-	11	-	-	833
Other provisions	462	-	1,868	-	-	2,330
Obligations for non-commercial zones	1,350	-	1,050	-	-	2,400
Property, plant, equipment and land	-	-	11,675	-	-	11,675
Superannuation investment	0	-	152	-	-	152
Revenue losses	16,356	(9)	7,837	(80)	-	24,104
Derecognition of Net deferred tax assets	(11,760)	-	(19,383)	-	-	(31,143)
Transfer - deferred tax asset	(48,078)	-	(10,797)	-	-	(58,875)
Total	223	(9)	(8,980)	(80)	8,846	-
Deferred tax liabilities						
Biological assets	(43,365)	-	(13,867)	-	-	(57,232)
Inventories	(1,675)	-	31	-	-	(1,644)
Property, plant, equipment and land	(3,039)	-	2,902	-	137	-
Transfer - deferred tax asset	48,078	-	10,797	-	-	58,875
Total		-	(137)	-	137	(0)
Net deferred tax assets/(liabilities)	223	(9)	(9,117)	(80)	8,983	(0)

	Parent Entity - 2015					Closing balance \$'000
	Opening balance \$'000	Under/Over \$'000	Charged to Statement of Comprehensive Income \$'000	Transferred from Subsidiary \$'000	Charged to equity \$'000	
Deferred tax assets						
Employee benefits	45,983	-	355	-	(5,268)	41,071
Revenue received in advance	64	-	(64)	-	-	(1)
Receivables and other investments	1,605	-	(783)	-	-	822
Other provisions	1,042	-	(580)	-	-	462
Obligations for non-commercial zones	2,370	-	(1,020)	-	-	1,350
Investments in wholly owned subsidiaries	250	-	(250)	-	-	-
Revenue losses	6,557	-	9,941	(142)	-	16,356
Derecognition of Net deferred tax assets	(21,108)	-	9,348	-	-	(11,760)
Transfer - deferred tax asset	(35,220)	-	(12,858)	-	-	(48,078)
Total	1,543	-	4,090	(142)	(5,268)	223
Deferred tax liabilities						
Biological assets	(25,401)	-	(17,964)	-	-	(43,365)
Inventories	(1,820)	-	145	-	-	(1,675)
Property, plant, equipment and land	(8,000)	-	5,090	-	(129)	(3,039)
Transfer - deferred tax asset	35,220	-	12,858	-	-	48,078
Total		-	129	-	(129)	(0)
Net deferred tax assets/(liabilities)	1,543	-	4,219	(142)	(5,397)	223

11 Dividends

No dividend was paid during the 2015/16 financial year in relation to 2014/15 results.

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

12 Cash and cash equivalents

a) Reconciliation of cash and cash equivalents

For the purposes of the Cash flow statements, cash and cash equivalents comprise the following as at 30 June:

Cash at bank

Floats and advances

Consolidated		Parent Entity	
2016	2015	2016	2015
\$'000	\$'000	\$'000	\$'000
4,841	7,783	4,723	7,538
31	37	31	37
4,872	7,820	4,754	7,575

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

Net profit/(loss) after tax

Add/(less) items classified as investing/financing activities:

(Profit)/loss on disposal of non current assets

Interest on Finance lease

Add/(less) non-cash items:

Depreciation and amortisation

Income tax

Asset write-off

Biological asset valuation increment /(decrement)

Movement in obligations for non-commercial zones

Reverse provision for receivable

Impairment of non-current asset

Impairment intercompany receivable

Share of joint venture entities net (profit)/loss

Release of revenue received in advance (Tasmanian Community Forest Agreement - capital activities)

Changes in assets and liabilities:

(Increase)/decrease in current receivables

(Increase)/decrease in non current receivables

(Increase)/decrease in inventories

(Increase)/decrease in other current assets

Increase/(decrease) in current liabilities

Increase/(decrease) in non current liabilities

Net cash provided by operating activities

(46,423)	18,681	(44,466)	15,849
647	98	2	98
189	282	-	-
7,183	8,303	6,532	7,208
8,975	(5,398)	9,118	(4,220)
-	570	-	570
14,620	(37,384)	14,620	(37,384)
3,500	(3,400)	3,500	(3,400)
-	(1,000)	-	(1,000)
3,685	3,752	-	-
-	-	2,247	5,578
-	51	-	51
-	(1,525)	-	(1,525)
4,684	(414)	4,737	(331)
-	-	(182)	4,005
(1,614)	3,816	(1,614)	3,816
38	(1)	38	(1)
(28,874)	(3,313)	(28,105)	(6,667)
22,876	1,386	22,907	1,386
(10,514)	(15,496)	(10,666)	(15,967)

13 Trade and other receivables

Current

Trade and other receivables

Less provision for impairment

Accrued revenue

Prepayments

Total current receivables

Non current

Intercompany loan

Provision for intercompany receivable

Other

Total non current receivables

12,283	16,303	11,998	15,986
(2,172)	(2,085)	(2,172)	(2,085)
255	832	174	756
489	527	489	527
10,855	15,577	10,489	15,184
-	-	9,751	9,568
-	-	(6,591)	(5,578)
84	84	84	84
84	84	3,244	4,074

	Consolidated		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
14 Inventories				
Gravel stocks at cost	2,277	2,271	2,277	2,271
Seed and seedlings at cost	2,774	2,831	2,774	2,831
Timber at cost	3,186	1,470	3,186	1,470
Stores general at cost	432	483	432	483
	8,669	7,055	8,669	7,055
15 Biological Assets				
Current				
Standing timber at valuation	10,241	8,999	10,241	8,999
Non current				
Standing timber at valuation	183,842	143,383	183,842	143,383
Roads and road structures	8,517	65,365	8,517	65,365
Re-establishment make good	5,100	578	5,100	578
	197,459	209,326	197,459	209,326
	207,700	218,325	207,700	218,325

Reconciliation of biological assets (\$000)

	Consolidated				Parent			
	Forest	Make Good	Roads	Total	Forest	Make Good	Roads	Total
Carrying amount as at 30 June 2014	85,966	117	85,260	171,343	85,966	117	85,260	171,343
Additions	4,899	-	10,905	15,804	4,899	-	10,905	15,804
Acquisition of joint venture interest ¹	5,598	-	0	5,598	5,598	-	-	5,598
Reallocation (refer note 2r)	(461)	461	(1,949)	(1,949)	(461)	461	(1,949)	(1,949)
Net movement work in progress	-	-	(4,149)	(4,149)	-	-	(4,149)	(4,149)
Depreciation	-	-	(6,167)	(6,167)	-	-	(6,167)	(6,167)
Reclassification	18,535	-	(18,535)	-	18,535	-	(18,535)	-
Revaluation	37,845	-	-	37,845	37,845	-	-	37,845
Carrying amount as at 30 June 2015	152,382	578	65,365	218,325	152,382	578	65,365	218,325
Carrying amount as at 30 June 2015	152,382	578	65,365	218,325	152,382	578	65,365	218,325
Additions	1,931	-	2,486	4,417	1,931	-	2,486	4,417
Reallocation (refer note 2r)	(4,522)	4,522	-	0	(4,522)	4,522	-	-
Net movement work in progress	-	-	741	741	-	-	741	741
Depreciation	-	-	(5,685)	(5,685)	-	-	(5,685)	(5,685)
Reclassification	54,390	-	(54,390)	-	54,390	-	(54,390)	-
Revaluation	(10,098)	-	-	(10,098)	(10,098)	-	-	(10,098)
Carrying amount as at 30 June 2016	194,083	5,100	8,517	207,700	194,083	5,100	8,517	207,700

¹ A non-controlling minority interest liability is recognised (refer note 19).

Reconciliation of forest and make good (\$000)

	Consolidated		Parent	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Opening carrying amount	218,325	171,343	218,325	171,343
Additions	4,417	15,804	4,417	15,804
Acquisition of joint venture	-	5,598	-	5,598
Reallocation	4,522	(1,488)	4,522	(1,488)
Net movement in work in progress	741	(4,149)	741	(4,149)
Depreciation	(5,685)	(6,167)	(5,685)	(6,167)
Biological asset valuation increment/(decrement)	(14,620)	37,384	(14,620)	37,384
Closing carrying amount	207,700	218,325	207,700	218,325

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

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

Fair value measurement

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

Description	Fair value at 30 June 2016 \$'000	Unobservable inputs	Inputs	Relationship of unobservable inputs to fair value
Forest estate incorporating biological asset and obligations for non-commercial zones	199,700	Price	5% increase	value increases \$21m
		Discount rate	1% increase	value decreases \$18m
		Discount rate	1% decrease	value increases \$20m
		Cost	10% increase	value decreases \$10m

16 Property, plant and equipment

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

	Consolidated							Total \$'000
	Land \$'000	Buildings \$'000	Transmission line \$'000	Plant & equipment \$'000	Site infrastructure works \$'000	Pre-development costs \$'000	Capital work in progress \$'000	
Carrying amount at 1 July 2014	3,112	11,676	10,613	6,525	4,323	2,200	225	38,674
Additions	-	202	-	372	-	-	455	1,029
Disposals	(138)	(760)	-	(163)	-	-	-	(1,061)
Reallocation	-	-	-	-	(3,285)	(2,030)	-	(5,315)
Revaluation	135	296	-	-	-	-	-	431
Impairment	-	-	(3,752)	75	-	-	-	(3,677)
Movement in work in progress	-	-	-	-	-	-	(680)	(680)
Depreciation	-	(456)	(593)	(618)	(333)	(170)	-	(2,170)
Carrying amount at 30 June 2015	3,109	10,958	6,268	6,191	705	-	-	27,231
Carrying amount at 1 July 2015	3,109	10,958	6,268	6,191	705	-	-	27,231
Additions	-	-	-	56	-	-	68	124
Disposals	(669)	(388)	(3,236)	(2,897)	(647)	-	-	(7,837)
Revaluation	12	(458)	-	-	-	-	-	(446)
Impairment	-	-	(2,440)	(1,245)	-	-	-	(3,685)
Movement in work in progress	-	-	-	-	-	-	(62)	(62)
Depreciation	-	(401)	(592)	(446)	(58)	-	-	(1,497)
Carrying amount at 30 June 2016	2,452	9,711	-	1,659	-	-	6	13,828
Original cost of assets 30 June 2016	1,670	14,757	14,811	8,700	5,676	3,405	.	49,019

	Land \$'000	Buildings \$'000	Transmission line \$'000	Parent Entity Plant & equipment \$'000	Site infrastructu \$'000	Pre- developme \$'000	Capital work in \$'000	Total \$'000
Carrying amount at 1 July 2014	2,662	11,676	-	6,525	-	-	225	21,088
Additions	-	202	-	372	-	-	455	1,029
Disposals	(138)	(760)	-	(163)	-	-	-	(1,061)
Revaluation	135	296	-	-	-	-	-	431
Impairment	-	-	-	75	-	-	-	75
Movement in work in progress	-	-	-	-	-	-	(680)	(680)
Depreciation	-	(456)	-	(618)	-	-	-	(1,074)
Carrying amount at 30 June 2015	2,659	10,958	-	6,191	-	-	-	19,808
Carrying amount at 1 July 2015	2,659	10,958	-	6,191	-	-	-	19,808
Additions	-	-	-	56	-	-	68	124
Disposals	(669)	(388)	-	(2,896)	-	-	-	(3,953)
Revaluation	12	(458)	-	-	-	-	-	(446)
Impairment	-	-	-	(1,245)	-	-	-	(1,245)
Movement in work in progress	-	-	-	-	-	-	(62)	(62)
Depreciation	-	(401)	-	(446)	-	-	-	(847)
Carrying amount at 30 June 2016	2,002	9,711	-	1,660	-	-	6	13,379
Original cost of assets 30 June 2016	1,296	14,757	-	8,700	-	-	-	24,753

16

Impairment of assets

Forestry Tasmania has completed impairment testing of its property, plant and equipment assets. An impairment loss of \$2.44 million was recognised for the transmission line asset in 2016 (2015: \$ 3.752m) and \$1.245 million for non-current equipment assets. The impairment loss was calculated using a discounted cash flow model. The discounted cash flow model used a 1% growth rate for sales and expenses approximating CPI at 30 June and a discount rate of 8.5%. A 1% change in discount rate alters the impairment by \$1 million, a 1% increase in the growth rate for sales reduces the impairment by \$1.2 million and a 1% increase on the growth rate for expenses increases the impairment by \$0.2 million. Newwood Energy Pty Ltd transferred its infrastructure asset to TasNetworks at 30 June 2016.

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 2016 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.

17 Intangible assets at cost

Forestry Tasmania's intangible assets relate to the development costs of internally produced software.

Software development
Capital work in progress
Less provision for amortisation

	Consolidated		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Software development	372	372	372	372
Capital work in progress	-	-	-	-
Less provision for amortisation	(372)	(372)	(372)	(372)
	-	-	-	-

	Consolidated			Parent Entity		
	Software \$'000	Work in Progress \$'000	Total \$000 \$'000	Software \$'000	Work in Progress \$'000	Total \$000 \$'000
Carrying amount at 1 July 2014	14	-	14	14	-	14
Disposal/reallocation	-	-	-	-	-	-
Amortisation	(14)	-	(14)	(14)	-	(14)
Carrying amount at 30 June 2015	-	-	-	-	-	-
Carrying amount at 1 July 2015	-	-	-	-	-	-
Disposal/reallocation	-	-	-	-	-	-
Amortisation	-	-	-	-	-	-
Carrying amount at 30 June 2016	-	-	-	-	-	-

	Consolidated		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
18 Other investments				
Non current				
Investment in Huon Valley Financials Pty Ltd	5	5	5	5
	5	5	5	5
19 Trade and other payables				
Current				
Trade creditors and other payables	8,629	4,975	8,626	4,966
Non-controlling interest ¹	2,099	2,799	2,099	2,799
Redundancy cost ²	-	2,147	-	2,147
Accrued expenses	2,300	4,768	2,209	4,692
Derivative liability	-	50	-	50
Total current payables	13,028	14,739	12,934	14,654
Non current				
Trade creditors	10	10	978	201
Non-controlling interest ¹	-	2,799	-	2,799
	10	2,809	978	3,000

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

² The redundancy cost included in 2015 related to redundancies that had been agreed, calculated and signed with employees as at 30 June 2015 for employees who left in 2016.

	Consolidated		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
20 Revenue received in advance				
Current	3,429	2,725	3,429	2,725
Non Current	15,306	15,306	15,306	15,306
	18,735	18,031	18,735	18,031

	Consolidated		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>Reconciliation of revenue received in advance (\$000)</i>				
Tasmanian Community Forest Agreement				
Opening balance	17,891	19,416	17,891	19,416
Tasmanian Community Forest Agreement Income - intensive forest management	-	(1,525)	-	(1,525)
Closing balance	17,891	17,891	17,891	17,891
Tasmanian Forest Agreement				
Opening balance	-	1,132	-	1,132
Receipts	6,800	7,340	6,800	7,340
Tasmanian Forest Agreement/World Heritage Area implementation funding	(6,200)	(8,472)	(6,200)	(8,472)
Closing balance	600	-	600	-
Other revenue received in advance				
Opening balance	140	6,102	140	335
Receipts	2,874	356	2,874	356
Transfer to offset assets	-	(5,314)	-	-
Other activities	(2,770)	(1,004)	(2,770)	(551)
Closing balance	244	140	244	140
Closing balance 30 June 2016	18,735	18,031	18,735	18,031

	Consolidated		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
21 Interest bearing liabilities				
Current				
Borrowings	14,400	33,200	14,400	33,200
Finance lease	-	23	-	-
	14,400	33,223	14,400	33,200
Non-current				
Finance lease	-	3,326	-	-
Total	-	3,326	-	-
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	41,000	31,000	41,000
	31,800	41,800	31,800	41,800
Facilities used at balance date:				
Credit cards	20	27	20	27
Loan facility - secured	14,400	33,200	14,400	33,200
	14,420	33,227	14,420	33,227
Facilities not utilised at balance date:				
Credit cards	780	773	780	773
Loan facility - secured	16,600	7,800	16,600	7,800
	17,380	8,573	17,380	8,573

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% (2015:17.99%), payable monthly.

Foreign Currency Overdraft Limit

Forestry Tasmania has a US\$2.0 million foreign currency overdraft facility to facilitate foreign currency dealings. (2015: \$2.0 million).

Loan Facility - Secured

Forestry Tasmania has no long term fixed borrowings, (2015: \$nil). The loan facility is secured by a floating charge over Forestry Tasmania's trade and other receivables. Refer to **note 13** for the carrying amount of trade and other receivables which Forestry Tasmania have pledged as security. Borrowings are on the basis of overnight deposit and payable at call.

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

The interest rate (excluding guarantee fees) on borrowings is 2.5% (2015: 2.8%).

Finance Lease

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

	Consolidated		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
22 Obligations for non-commercial forest zones				
Current	394	190	394	190
Non current	7,606	4,310	7,606	4,310
	8,000	4,500	8,000	4,500

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

	Consolidated		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
23 Re-establishment provision				
Current	1,637	145	1,637	145
Non current	3,463	433	3,463	433
	5,100	578	5,100	578

Forestry Tasmania re-establishes coupes at the conclusion of harvest. In order to recognise this obligation, Forestry Tasmania sets aside a provision for the expected costs relating to the area harvested during the year to 30 June 2016. Forestry Tasmania issued forestry rights and has an obligation to re-establish when the land has been handed back at the expiry of the right.

	Consolidated		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
24 Employee benefits				
Current				
Annual leave	1,062	1,175	1,062	1,175
Long service leave	2,036	2,500	2,036	2,500
Superannuation defined benefit scheme (see note below)	5,860	5,805	5,860	5,805
Workers compensation	79	456	79	456
	9,037	9,936	9,037	9,936
Non current				
Long service leave	248	188	248	188
Superannuation defined benefit scheme (see note below)	152,428	126,782	152,428	126,782
	152,676	126,970	152,676	126,970

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

Assumed rate of increase in wages and salaries rates

3.00% 3.00%

Discount rate used in the calculation of the long service leave provision ranges from 2.56% to 3.52% (2015 range 2.49% to 4.04%).

Settlement terms (years) - long service leave

10 years 10 years

a) Superannuation liability

Key assumptions

Assumptions to Determine Defined Benefit Cost and Start of Year Defined Benefit Obligation

	2016	2015
	\$'000	\$'000
Discount rate (active members)	4.80%	4.10%
Discount rate (pensioners)	4.80%	4.10%
Expected rate of increase of compulsory preserved amounts	4.50%	4.50%
Expected salary increase rate	3.00%	3.00%
Expected pension increase rate	2.50%	2.50%

24 Assumptions to Determine End of Year Defined Benefit Obligation

Discount rate (active members)	3.55%	4.80%
Discount rate (pensioners)	3.55%	4.80%
Expected salary increase rate	3.00%	3.00%
Expected rate of increase of compulsory preserved amounts	4.50%	4.50%
Expected pension increase rate	2.50%	2.50%

Sensitivity analysis

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

	Actual	Scenario A	Scenario B	Scenario C	Scenario D
Discount rate (pa)	3.55%	2.55%	4.55%	3.55%	3.55%
Pension increase rate (pa)	2.50%	2.50%	2.50%	1.50%	3.50%
Defined benefit obligation (A\$'000s)	190,344	219,977	166,600	171,536	212,854

	2016	2015
	\$'000	\$'000
Profit or loss impact		
Current service cost	1,694	2,018
Net interest	6,219	5,974
Defined benefit cost recognised in profit or loss	7,913	7,992
Other comprehensive income		
Actuarial (gains) losses	29,440	(14,267)
Actuarial return on plan assets less interest income	48	(3,296)
Total remeasurements recognised in other comprehensive income	29,488	(17,563)
Reconciliation of the Net Defined Benefit Liability/(Asset)		
Defined Benefit Obligation	190,344	167,583
Fair value of plan assets	(32,056)	(34,996)
Deficit/(surplus)	158,288	132,587
Adjustment for effect of asset ceiling	-	-
Net defined benefit liability/(asset)	158,288	132,587
Current net liability	5,860	5,805
Non-current net liability	152,428	126,782

	2016 \$'000	2015 \$'000
Reconciliation of the Fair Value of Scheme Assets		
Fair value of plan assets at beginning of the year	34,996	32,694
Interest income	1,629	1,300
Actual return on plan assets less interest income	(48)	3,296
Employer contributions	11,699	6,652
Contributions by plan participants	570	605
Benefits paid	(16,464)	(9,273)
Taxes, premiums and expenses paid	(327)	(276)
Fair value of plan assets at end of the year	32,056	34,996

24 Reconciliation of the Defined Benefit Obligation

Present value of defined benefit obligation at beginning of the year	167,583	181,503
Current service cost	1,694	2,018
Interest cost	7,848	7,274
Contributions by plan participants	570	605
Actuarial (gains)/losses arising from changes in financial assumptions	28,933	(16,318)
Actuarial (gains)/losses arising from liability experience	507	2,051
Benefits paid	(16,464)	(9,273)
Taxes, premiums and expenses paid	(327)	(276)
	190,344	167,583

Fair value of scheme assets Asset category	Total (A\$'000)	Quoted prices in active markets for identical assets - Level 1		Significant observable inputs - Level 2 (A\$'000)	Unobservable inputs - Level 3 (A\$'000)
		(A\$'000)	(A\$'000)		
Cash and cash equivalents	5,564	5,564	-	-	-
Equity instruments	21,874	9,957	9,606	2,311	-
Debt instruments	4,297	1,166	1,764	1,367	-
Derivatives	59	-	59	-	-
Real estate	260	-	260	-	-
Total	32,056	16,687	11,689	3,678	3,678

Expected employer contributions (30 June 2017) 5,860

	2016 \$'000	2015 \$'000
Current service cost		
1 Total current service cost at beginning of year	(1,848)	(2,255)
2 Interest for the year	(89)	(92)
3 Expected contributions tax and expenses	(327)	(276)
4 Expected employee contributions	570	605
5 Expected change in contributions tax provision		
6 Accumulation contributions met from surplus		
7 Current service cost	(1,694)	(2,018)
Interest expense		
1 Defined benefit obligation at beginning of year	167,583	181,502
2 Expected distributions	(8,169)	(8,167)
a. Weighted timing	(4,085)	(4,084)
3 Average defined benefit obligation (1-2a)	163,498	177,418
4 Discount rate	4.80%	4.10%
5 Interest expense (3 x 4)	(7,848)	(7,274)

Interest income			
	1 Fair value of plan assets at beginning of year	34,996	32,694
	2 Expected employer contributions	5,805	5,858
	a. Weighted for timing	2,903	2,929
	3 Expected employee contributions	570	605
	a. Weighted for timing	285	303
	4 Expected distributions during year	8,169	8,167
	a. Weighted for timing	4,085	4,084
	5 Expected expenses, tax and insurance premiums	327	276
	a. Weighted for timing	164	138
	6 Average expected fair value of assets (1+2a+3a-4a-5a)	33,935	31,704
	7 Discount rate	4.80%	4.10%
	8 Interest income (6x7)	1,629	1,300
24	Net interest		
	1 Interest expense	(7,848)	(7,274)
	2 Interest income	1,629	1,300
	3 Net interest (1-2)	(6,219)	(5,974)
	Actuarial (Gains)losses (recognised in Other Comprehensive Income)		
	1 Actuarial (gain)/loss on Defined Benefit Obligation - experience	507	2,051
	2 Actuarial (gain)/loss on Defined Benefit Obligation - change in demographic assumptions	-	-
	3 Actuarial (gain)/loss on Defined Benefit Obligation - change in financial assumptions	28,933	(16,318)
	4 Actuarial (gain)/loss (1+2+3)	29,440	(14,267)

25 Expenditure commitments

Operating expenditure commitments

a) Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

Not longer than one year

Longer than one year but not longer than five years

Later than five years

		Consolidated		Parent Entity	
		2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000
	Not longer than one year	3,869	3,838	3,869	3,838
	Longer than one year but not longer than five years	12,161	12,202	12,161	12,202
	Later than five years	5,820	8,359	5,820	8,359
		21,850	24,399	21,850	24,399

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:

2016

Not longer than one year

Between one and two years

Between three and five years

Later than five years

			Consolidated (\$000)		
		Future minimum	Interest	Present value of	
	Not longer than one year	-	-	-	
	Between one and two years	-	-	-	
	Between three and five years	-	-	-	
	Later than five years	-	-	-	
		-	-	-	

2015

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

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 had been funded through a finance lease agreement with Transend. Newood Holdings sold the infrastructure asset relating to the finance lease to TasNetworks at 30 June 2016. Forestry Tasmania extinguished all its obligations under the finance lease on the transfer of the asset at 30 June 2016. The balance of the finance lease was derecognised.

The Parent Entity does not have any finance lease liabilities.

25	Consolidated		Parent Entity	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<i>c) Capital expenditure commitments</i>				
Plantation establishment				
Not longer than one year	1,085	1,085	1,085	1,085
Between one and five years	15,306	15,306	15,306	15,306
	16,391	16,391	16,391	16,391
Road construction				
Not longer than one year	1,480	1,480	1,480	1,480
Between one and five years	1,480	4,440	1,480	4,440
	2,960	5,920	2,960	5,920

26 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 2016.

27 Controlled entities

	Country of incorporation	Percentage of Shares	
		2016	2015
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.

28 Related party information

	Sales to related parties		Purchases from related parties		Amounts owed by related parties		Amounts owed to related parties	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Parent</i>								
Newood Holdings Pty Ltd	103	115	277	314	9,751	9,568	978	201

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

29 Key management personnel compensation and other disclosures

During the year, the Board of Directors' of Forestry Tasmania was comprised of the following individuals: R de Fegely, D Norton, L Bull, M Hunt, S Baker, C Mucha, T Ferrall, R Annells, G Coffey, R Smith and R Woolley. 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 2016 (2015: 6 Directors).

Other key management personnel are determined to be the members of the General Management Team of Forestry Tasmania (at 30 June 2016: 6 members) (at 30 June 2015: 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:

	Consolidated	
	2016	2015
	\$'000	\$'000
Short-term employee benefits	1,807	1,744
Post-employment benefits	177	217
Other long-term benefits	-	-
Termination benefits	-	139
	1,984	2,100

29 (a) Director remuneration

Directors Remuneration 2015-16

Non-Executive Directors				Directors	Committee	Super-	Other	Total
Name	Position	Start Term	End Term	fees	fees	annuation		2016
				\$'000	\$'000	¹	\$'000	\$'000
Mr R de Fegely	Chairman	01-Jun-2016		8	-	1	-	9
Dr C Mucha	Director	29-Apr-2013		49	5	5	-	59
Mr T Ferrall	Director	22-May-2015		48	-	-	-	48
Ms S Baker	Director	15-Dec-2015		27	-	3	-	30
Prof M Hunt	Director	22-Dec-2015		26	-	2	-	28
Dr L Bull	Director	22-Dec-2015		26	-	2	-	28
Mr D Norton	Chairman	28-Jan-2016	31-May-2016	39	-	4	-	43
Mr R Annells	Chairman	24-Sep-2012	27-Jan-2016	91	-	9	-	100
Mr G Coffey	Director	01-Jul-2007	27-Aug-2015	8	1	1	-	10
Mr R Smith	Director	09-Jul-2012	25-Nov-2015	21	2	2	-	25
Mr R Woolley	Director	29-Apr-2013	31-Jan-2016	29	1	3	-	33
Total				372	9	32	-	413

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

Directors Remuneration 2014-15

Non-Executive Directors				Directors	Committee	Super-	Other	Total
Name	Position	Start Term	End Term	fees	fees	annuation		2015
				\$'000	\$'000	¹	\$'000	\$'000
Mr R Annells	Chairman	24-Sep-2012		156	-	15	-	171
Mr G Coffey	Director	01-Jul-2007		48	5	5	-	58
Mr R Woolley	Director	29-Apr-2013		48	2	5	-	55
Dr C Mucha	Director	29-Apr-2013		48	5	5	-	58
Mr R Smith	Director	09-Jul-2012		48	5	5	-	58
Mr R Bunyon	Director	17-Sep-2012	16-Sep-2014	11	-	1	-	12
Mr T Ferrall	Director	25-May-2015		6	-	-	-	6
Total				365	17	36	-	418

Directors remuneration total for 2013-14 was \$457,000

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

29 (b) Director remuneration principles

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

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

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

Forestry Tasmania has not made any loans with any member of the Board of Directors or their related parties.

(c) General Management Team remuneration

General Management Team Remuneration 2015-16 (comprises 27 pays for the period)

	Salary ¹ \$'000	Short-term incentive payments ² \$'000	Termination payments ³ \$'000	Super- annuation ⁴ \$'000	Vehicles ⁵ \$'000	Other benefits ⁶ \$'000	Other non- monetary benefits ⁷ \$'000	Total 2016 \$'000
Mr S Whiteley - CEO	332	-	-	39	-	-	3	374
Mr J Shevlin - EGM Communications	205	-	-	19	-	-	(6)	218
Mr J Garrett - EGM Commercial	228	-	-	22	5	-	(3)	252
Mr C Brookwell - EGM Corporate Services	260	-	-	25	-	-	2	287
Mrs S Weeding - GM Forest Management	180	-	-	17	18	-	(2)	213
Mr N Foss - GM Operations	180	-	-	17	18	-	12	227
Total	1,385	-	-	139	41	-	6	1,571

General Management Team Remuneration 2014-15 (comprises 26 pays for the period)

	Salary ¹ \$'000	Short-term incentive payments ² \$'000	Termination payments ³ \$'000	Super- annuation ⁴ \$'000	Vehicles ⁵ \$'000	Other benefits ⁶ \$'000	Other non- monetary benefits ⁷ \$'000	Total 2015 \$'000
Mr S Whiteley - CEO	313	11	-	37	7	-	8	376
Mr J Shevlin - EGM Communications	201	-	-	19	12	-	1	233
Mr J Garrett - EGM Commercial	220	-	-	21	-	-	(6)	235
Mr C Brookwell - EGM Corporate Services (from 5/1/2015)	112	-	-	11	-	-	9	132
Mrs S Weeding - GM Forest Management (from 15/12/2014)	85	-	-	8	12	-	5	110
Mr N Foss - GM Operations	160	-	-	15	24	-	4	203
Mrs S Shoobridge - CFO (to 31/12/2014)	94	-	3	8	-	-	-	105
Mrs L Burgess - GM Corporate Services (to 31/7/2014)	25	-	132	15	4	18	-	194
Mr J Hickey - GM Forest Management (to 12/12/2014)	76	-	4	8	6	-	-	94
Total	1,286	11	139	142	65	18	21	1,682

General Management Team Remuneration total for 2013-14 was \$1,560,000

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

² Short term incentive payments are non-recurrent payments which depend on achieving specified performance goals within specified timeframes.

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

29 ⁴ Superannuation means the contribution to the superannuation fund of the individual. Superannuation benefits for members of a defined benefit scheme were calculated using a notional cost based on 11.9%.

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

⁶ Other benefits includes all other forms of employment allowances (but excludes reimbursements for expenses such as travel, accommodation or meals), payments in lieu of leave, and any other compensation paid and payable.

⁷ Other non-monetary benefits include annual and long service leave movements.

(d) General Management Team remuneration principles

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

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

The employment and conditions of senior executives are contained in individual employment contracts and related documents. These documents prescribe total remuneration, superannuation, annual and long service leave and vehicle and salary sacrifice provisions. The CEO is appointed by the Premier and Portfolio Minister following selection and recommendation by the Board. Independent professional advice is obtained prior to entering into, or extending an employment agreement and when determining the 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. CEO contracts for GBEs include a set term consistent with the requirements of the Government Business Enterprises Act 1995. Service contracts have durations not exceeding five years, but can be extended based on the Organisation's requirements.

	Consolidated		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
30 Auditors' remuneration				
Amounts paid and payable to the Tasmanian Audit Office for auditing the financial statements of Forestry Tasmania.	100	100	100	100
Amounts paid and payable to other service providers for internal and other regulatory audit services	172	70	172	70

31 Events subsequent to balance date

There have been no other matters and/or circumstances that have arisen since the end of the reporting period.

32 Financial instruments disclosure

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

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

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

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

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

Credit Risk

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

32 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 market conditions, the value of non-operating accounting impacts to the net profit before tax and costs attributable to non-commercial forest zones and community service obligations. Net debt and interest coverage ratios exclude the movement in and the balance of the unfunded superannuation liability.

(a) Capital risk 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 21, the unfunded superannuation liability disclosed in note 24, cash and cash equivalents disclosed in note 12.

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

(b) Categories of financial instruments

	Note	Consolidated		Parent Entity	
		2016 \$000	2015 \$000	2016 \$000	2015 \$000
Financial Assets					
Fair value through profit or loss - held for trading	18	5	5	5	5
Loans and receivables	13	10,939	15,661	13,733	19,258
Cash and cash equivalents	12(a)	4,872	7,820	4,754	7,575
Financial Liabilities					
Derivative liability	19	-	(50)	-	(50)
Financial liabilities measured at amortised cost	19, 21	(27,438)	(54,097)	(28,312)	(50,854)

(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:

	Note	Consolidated	
		2016 \$'000	2015 \$'000
Cash	12	4,872	7,820
Trade and other receivables	13	10,939	15,661
Other financial assets	18	5	5
Total financial assets		15,816	23,486

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.

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

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 2016: 68% (2015: 63%) of total forest product sales.

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

	Consolidated	
	2016 \$'000	2015 \$'000
Current	6,611	8,886
30 days	2,832	2,061
60 days	123	1,968
90 days plus	1,953	1,303
Total	11,519	14,218

Impairment provisioning recognised

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

	Consolidated		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at 30 June 2015	(2,085)	(5,350)	(2,085)	(5,350)
Recovery of prior year impairments	13	-	13	-
Reverse prior year impairment ¹	-	3,265	-	3,265
Impairment loss recognised	(100)	-	(100)	-
Balance at 30 June 2016	(2,172)	(2,085)	(2,172)	(2,085)

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

32 (d) Liquidity Risk

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

	Consolidated					
	Weighted average interest rate	Less than 1 month	1-12 months	1-2 years	2-5 years	More than 5 years
2016						
Trade and other payables	0.00%	-	13,028	-	-	10
Interest bearing liabilities - variable	2.50%	-	14,400	-	-	-
2015						
Trade and other payables	0.00%	-	14,739	-	-	10
Finance lease liability	8.40%	-	21	52	255	3,019
Interest bearing liabilities - variable	2.80%	-	33,200	-	-	-

	Parent Entity					
	Weighted average interest rate	Less than 1 month	1-12 months	1-2 years	2-5 years	More than 5 years
2016						
Trade and other payables	0.00%	-	12,934	-	-	-
Interest bearing liabilities - variable	2.50%	-	14,400	-	-	-
2015						
Trade and other payables	0.00%	-	14,654	-	-	-
Interest bearing liabilities - variable	2.80%	-	33,200	-	-	-

Interest bearing liabilities

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

(e) Market Risk

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

	Consolidated \$'000				Parent Entity \$'000			
	2016		2015		2016		2015	
	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	5	5	5	5	5	5	5	5
Loans and receivables	10,939	10,939	15,661	15,661	13,733	13,733	19,258	19,258
Cash and cash equivalents	4,872	4,872	7,820	7,820	4,754	4,754	7,575	7,575
Trade and other payables	(13,038)	(13,038)	(17,548)	(17,548)	(13,912)	(13,912)	(17,654)	(17,654)
Finance lease liability	-	-	(3,349)	(3,349)	-	-	-	-
Interest bearing liabilities - variable	(14,400)	(14,400)	(33,200)	(33,200)	(14,400)	(14,400)	(33,200)	(33,200)
Total	(11,622)	(11,622)	(30,611)	(30,611)	(9,820)	(9,820)	(24,016)	(24,016)

32 Exposure to currency risk

Forestry Tasmania's policy is to use foreign currency risk management instruments in compliance with Forestry Tasmania's Foreign Exchange Policy. As at 30 June 2016, there were A \$0.086 million of foreign currency forward exchange contracts in place with an effective hedge rate of \$0.7386 (2015: A \$4.150 million, hedge rate \$0.7758).

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 2016 was NIL (2015: US \$2.361 million).

Interest bearing liabilities - fixed

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

33 Geographical Information

All non-current assets are located within Australia.

	Consolidated		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Revenue				
Australia	95,844	127,793	94,105	126,301
Asia	40,409	41,209	40,409	41,209
Total revenue	136,253	169,002	134,514	167,510

34 Board Approved Overseas Travel

There were no overseas trips by Directors or senior management (members of the General Management Team) during the year. There were a total of five overseas trips undertaken by an employee of the business. The purpose of those trips was to meet with customers in China and Japan. The total cost of all overseas travel taken by the Export Manager of the business during the year was \$35,703 (2015: \$55,895).

certification of financial statements

Certification of Financial Statements

It is the opinion of the directors of Forestry Tasmania:

- a) the financial statements and notes of the Enterprise and of the consolidated entity are in accordance with the *Government Business Enterprises Act 1995*, including:
 - (i) giving a true and fair view of the results and cash flows for the 2015-16 financial year and the financial position as at 30 June 2015, of the Enterprise and its subsidiaries; and
 - (ii) complying with Australian Accounting Standards and Interpretations and with the Treasurer's Instructions.
- b) there are reasonable grounds to believe that the Enterprise will be able to pay its debts as and when they fall due.

This declaration has been made after receiving the following declaration from the Chief Executive Officer and the Chief Financial Officer of the Enterprise:

- (i) the financial records of the Enterprise for the 2015-16 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 2015-16 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 2015-16 financial year give a true and fair view.

Signed in accordance with a resolution of the directors.



Rob de Fegely
Chairman

15th August 2016



Dr Christine Mucha
Director

15th August 2016

independent audit report



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11 August 2016

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

Dear Board Members

Auditor's Independence Declaration

In relation to my audit of the financial report of Forestry Tasmania for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of Australian Auditing Standards in relation to the audit
- (b) any applicable code of professional conduct in relation to the audit.

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

Yours sincerely

A handwritten signature in blue ink, appearing to read "E R De Santi", is written over a light blue horizontal line.

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

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Independent Auditor's Report

To Members of the Tasmanian Parliament

Forestry Tasmania

Consolidated Financial Report for the Year Ended 30 June 2016

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 2016 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 2016, 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 statements which states that the Directors have resolved that it was appropriate to adopt the going concern basis in preparing the financial report, primarily based on access to sufficient debt funding supported by Government, but a sustainable operating model has yet to be developed. My opinion is not modified in respect of this matter.

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The Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

In conducting this audit, I have complied with the independence requirements of Australian Auditing Standards and other relevant ethical requirements.

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

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My independence declaration provided to the Directors dated 11 August 2016 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



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

Hobart
31 August 2016

...3 of 3

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