

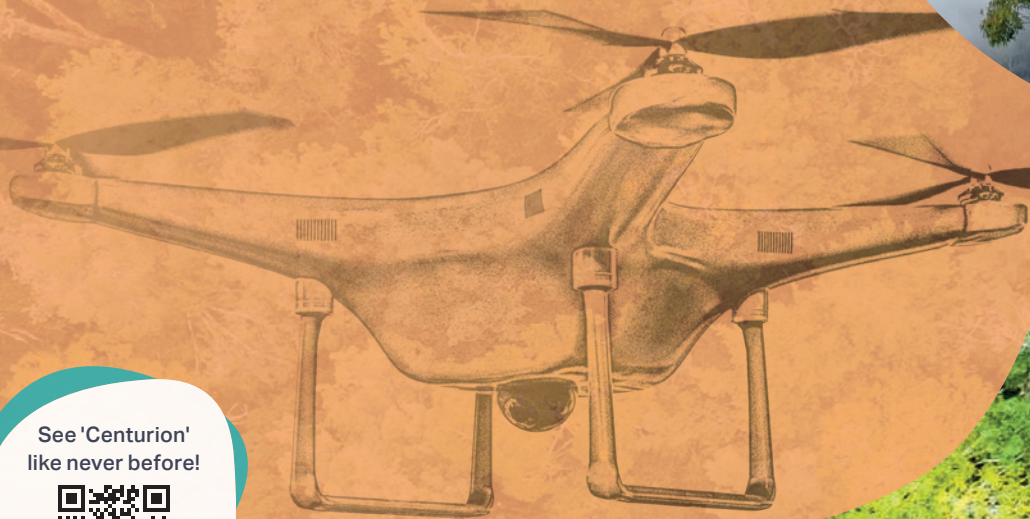


MEET 'CENTURION'

Forest giant Centurion (*Eucalyptus regnans*) is one subject of a Tasmanian research project aimed at understanding climate adaptation in Australia's forests.

Centurion has endured countless climate-driven challenges, including Tasmania's 1967 and 2019 Huon Valley bushfires, and has demonstrated consistent resilience against the elements.

Sustainable Timber Tasmania manages the land on which Centurion stands and has actively monitored its recovery from recent bushfires with regular on-site visits.



See 'Centurion'
like never before!



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2022 Annual Report
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Sustainable Timber Tasmania acknowledges and pays respect to Tasmanian Aboriginal people as the traditional owners and continuing custodians of the land, and acknowledges Elders past, present and emerging.

SUSTAINABILITY IS AT THE HEART OF EVERYTHING WE DO. IT'S OUR LONG-TERM FUTURE.

Sustainable Timber Tasmania is a Tasmanian Government Business Enterprise responsible for:

- sustainably managing approximately 812,000 hectares of public production forest (Permanent Timber Production Zone land); and
- undertaking forest operations for the production and sale of forest products from these forests.

WHAT WE DO



Sustainably managing the forest estate



Sustainably supplying timber



Sustainably growing our business

HOW WE DO IT

Delivering effectively

We are building a sustainable, effective and consistent business that is valued by our customers and stakeholders.

Developing capability

We are investing in our business and our people, and promoting an educated, skilled and safe contractor workforce with capabilities for the future.

Leading and innovating

We are embracing new ideas and realising opportunities, and fostering an innovative culture that supports ongoing development of the Tasmanian forest industry.

Growing value

We are investing in strategies and initiatives that grow and realise the full value of the forest estate and the services we provide.

Listening and engaging

We are building trust and confidence with our stakeholders and the community through genuine communication, engagement and being a good neighbour.

OUR CORE ACTIVITIES

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

OUR CORPORATE OBJECTIVES

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

OUR VALUES

RESPECT

We create safe spaces

RESPONSIBILITY

We take ownership

GROWTH

We create sustainable value

EXCELLENCE

We make it happen



Sustainable
Timber
Tasmania

Sustainable Timber Tasmania's northern fire team at a fire refresher day in Sheffield, Tasmania.

FROM OUR CHAIR AND CHIEF EXECUTIVE OFFICER

Rob de Fégely AM and Steve Whiteley



We are pleased to present Sustainable Timber Tasmania's Annual Report for 2021/2022.

This report proudly shares some of the many highlights and achievements for Sustainable Timber Tasmania in the 2021/2022 financial year.

During this time, Sustainable Timber Tasmania continued to demonstrate its commitment to supporting businesses, jobs and communities across Tasmania by sustainably managing more than 812,000 hectares of forest estate, supplying timber and growing its business.

It's important to recognise the financial year was not without its challenges and required the successful navigation, resilience and support of Sustainable Timber Tasmania's Board, management, customers and more than 1,000 employees and contractors.

In the past year, Sustainable Timber Tasmania's safety focus has remained – that everyday all employees and contractors go home safe and well to their loved ones. As a statewide team, we have been on a mission to promote and improve safety management and performance.

We are pleased to share that there were zero lost-time-injuries recorded for Sustainable Timber Tasmania employees during 2021/2022 and zero medical-treatment-injuries.

This means employees have remained free from significant physical injury for 17 months, a record that has never been achieved by the organisation.

Work doesn't stop in this critical space, and together, our employees and contractors will continue this focus as we move into the next financial year.

Sustainable Timber Tasmania continues to operate at a profit and reported a fifth consecutive profit result in 2021/2022. This is one such demonstration of Sustainable Timber Tasmania's commitment to a stronger Tasmania and its effective role as forest manager.

A total consolidated comprehensive income of \$17.6 million resulted in an underlying net profit of \$3.2 million, following a contribution of \$1.17 million to support Tasmanian Government Forestry Initiatives.

Thank you to our customers and contractors for their steadfast support as we worked together to manage uncertain market conditions throughout the year.

Sustainable Timber Tasmania's value to the Tasmanian community extends well beyond operating at a profit. Every job and every contribution to regional communities is important.

This year, 98% of all Sustainable Timber Tasmania's purchases were made to 647 Tasmanian businesses, an injection of \$105 million directly into the state's economy.

More than 6,300 hectares were prepared for regrowing, with nearly 117 million seeds sown onto harvested areas to regrow future forests.

We also maintained more than 3,000km of our 10,000km+ road network to provide greater access to Permanent Timber Production Zone (PTPZ) land for multiple uses including tourism businesses, apiary, bushwalking, mountain biking, hunting and fishing.

As one of Tasmania's key firefighting agencies, more than 74% of our workforce are trained firefighters and support fire management activities. Sustainable Timber Tasmania's employees and contractors live, work and contribute to local Tasmanian communities. Each year, they join together to help protect life, property, and forests from the threat of bushfire.

In 2021/2022, Sustainable Timber Tasmania's firefighters spent more than 8,300 hours protecting forests and communities and attended 25 bushfires across multiple tenures. It's important to acknowledge that this significant effort is in addition to employees and contractors' daily roles and each person must be commended for their continued dedication to fire management.

Sustainable Timber Tasmania takes its responsibility as a forest manager seriously and is continually working to care for forest values respectfully, innovatively and sustainably.

Sustainable Timber Tasmania's active participation in 24 local and national research projects during 2021/2022 reflects its investment in the future. An ongoing commitment to science-based research and development alongside some of the most renowned experts, academics and students in the country has seen exciting advancements in the past year.

Research projects supported sustainable forest management in areas such as building resilience through adaptability and climate change, access to forests, value of long rotation hardwood plantations and managing the resource for value through operations and natural capital.

Sustainable Timber Tasmania remains focused on developing and implementing greater conservation outcomes for the swift parrot across Permanent Timber Production Zone land in Tasmania's forests. Notably, Sustainable Timber Tasmania launched its swift parrot acoustic monitoring program that will further assist it to make conservation-focused operational and land management decisions.

Sustainable Timber Tasmania remains committed to its work as part of the climate solution – supplying Tasmanians with low carbon building, packaging and paper materials; prioritising on island production; managing a production forest estate and protecting forests from fires, pests and diseases.

Sustainable Timber Tasmania recognises and embraces the important role it must play as it moves through national wood supply challenges and the increasing need to provide sustainable forest products.

As we look to the year ahead, Sustainable Timber Tasmania is making positive advances in areas such as diversity and inclusion, threatened species, carbon and plantation resource.

To conclude, we offer a sincere thanks to Sustainable Timber Tasmania's employees, contractors, Board of Directors, stakeholders, and the wider Tasmanian community for your ongoing support and engagement.

We look forward to working alongside you in 2022/2023.

“TO SUSTAINABLE TIMBER TASMANIA'S EMPLOYEES AND CONTRACTORS, THANK YOU FOR TAKING CARE OF YOURSELVES AND TAKING CARE OF OTHERS. YOUR COMMITMENT, ENTHUSIASM AND CONTINUED SAFETY FOCUS IS A TRUE REFLECTION OF SUSTAINABLE TIMBER TASMANIA'S STRONG STATEWIDE TEAM. ON BEHALF OF THE BOARD, WE ARE GRATEFUL FOR EVERYTHING YOU DO FOR SUSTAINABLE TIMBER TASMANIA.”

THIS YEAR

Sustainable Timber Tasmania operated at a profit and supported businesses, jobs and communities across Tasmania. Every job and every contribution to regional communities is important.

This year, Sustainable Timber Tasmania injected over **\$105 million** directly into the state's economy, with **98%** of all its purchases made from Tasmanian businesses.

HIGHLIGHTS

Produced nearly

1.4M tonnes of timber, including over **115,800** cubic metres of high-quality eucalypt sawlogs and over **14,000** cubic metres of special species timbers.

Made nearly

\$95M of forest products sales.

Paid

\$105M to **647** Tasmanian businesses, including **\$60.7 million** to Tasmanian harvest and haulage contractors.





DIVERSITY AND INCLUSION

Launched a Diversity and Inclusion Policy and Action Plan to assist in creating a safe workplace for all employees, where diversity and inclusion are respected, acknowledged, and supported for the values they provide.



Supported a **14.6%** increase in the number of women working in traditional and non-traditional roles at Sustainable Timber Tasmania.



REGROWING

- Prepared more than **6,300** hectares for regrowing, with nearly **117** million seeds sown onto harvested areas to regrow future forests.

FIRE MANAGEMENT

- Attended **25** bushfires with over **8,300** hours of firefighting activities and **35,000** standby hours.
- Provided **260** person days of assistance to **17** fuel reduction burns completed by other agencies and completed **8** fuel reduction burns on PTPZ land.

MULTIPLE USE

- Maintained over **3,000**km of a **10,000+** km road network to provide access to PTPZ land and constructed more than **35**km of new roads for multiple uses.

SAFETY

- Strong safety performance for employees including a record no lost-time-injuries for **17** months, and continued implementation of safety culture program, SafetyCircle, with contractor workforce.

CERTIFICATION

- Maintained Responsible Wood forest management certification, safety and environmental systems certification and continued work towards FSC® certification.

RESEARCH AND INNOVATION

- Sustainable Timber Tasmania actively participated in **24** research projects to support sustainable forest management in a diverse range of areas, including building resilience through adaptability and climate change, access to forests, value of long rotation hardwood plantations and managing the resource for value through operations and natural capital.



TO FIND OUT MORE, VISIT WWW.STTAS.COM.AU

CREATING OPPORTUNITIES FOR WOMEN IN FORESTRY



Sustainable Timber Tasmania
Forest Officer Stephanie Haag,
Senior Forest Officer Toni Ogilvie
and Forest Management Coordinator
North West Emma Barker.



Sustainable Timber Tasmania understands the importance and value in creating a diverse and inclusive workforce and is proactively sharing information and stories to generate awareness of how women can be supported to have a career in forestry.



SUPPORTING WOMEN TO SUCCEED

In late 2021, Sustainable Timber Tasmania was named a successful grant recipient of the Tasmanian Government's 'Supporting Women to Succeed Program'. This included financial support to enhance Sustainable Timber Tasmania's capability to develop and implement initiatives to attract, retain and support women in forestry.

SHARING OUR STORY

Sustainable Timber Tasmania's women in forestry campaign is an important outcome of the grant.

OBJECTIVES

The campaign focuses on sharing stories of extraordinary females who work across a variety of roles at Sustainable Timber Tasmania. This aims to inspire other women across Tasmania to understand that they too, can have a fulfilling, flexible, enjoyable career in forestry.

A key objective was to address the identified challenge of recruiting women in operational roles.

POSITIVE OUTCOMES

Outcomes from the campaign have exceeded initial measures of success.

Since commencement of its campaign in March 2022, Sustainable Timber Tasmania has successfully recruited four women into non-traditional roles. Specifically, in line with campaign goals, three women have been recruited into Sustainable Timber Tasmania's north west region.

LEADING THE WAY

KYLIE KEMP

*Forest Officer
Sustainable Timber Tasmania*

Growing up, Kylie always knew she wanted to work in the bush but was unsure what job would allow her to do that.

Kylie discovered that a career in forestry supported her to work in the bush, and to operate in a role where each day brought new experiences, exciting opportunities and challenges to conquer.

Kylie has committed to further learning opportunities and with Sustainable Timber Tasmania's support has recently been promoted! Kylie now spends time in the office doing operational planning work, and in Geeveston's seed kiln, processing raw seed capsules for forest regeneration.

Excitingly, Kylie's development was positively recognised at the 2021 Tasmanian Timber Awards where she won 'Trainee of the Year' (large organisation).



"WORKING AT SUSTAINABLE TIMBER TASMANIA YOU GET TO SEE PLACES THAT DON'T HAVE TRACKS TO THEM, WHICH IS QUITE SPECIAL. HUNDREDS OF PEOPLE GET TO WALK FRENCHMANS CAP, BUT NOT MANY PEOPLE GET TO SEE WHAT WE SEE."

NITA RAMSDEN

*Forest Health Officer
Sustainable Timber Tasmania*

Following completion of her university degree, Nita wanted a career in a place where she could apply her knowledge and do something different every day.

As a scientist, Nita commenced working in Sustainable Timber Tasmania's research team and was astounded by the diversity and flexibility of a career in forestry. Nita was encouraged by Sustainable Timber Tasmania to explore the most remote parts of Tasmania, and to effectively monitor forest health.

Nita's Forest Health Officer role supports her to spend her time in an 'office' with fantastic views and to undertake activities where she contributes to understanding the health of Tasmania's public production forests.



"I'M NOT THE KIND OF PERSON WHO CAN SIT BEHIND A DESK ALL DAY EVERY DAY. I GET A SENSE OF FREEDOM THROUGH BEING ABLE TO GET OUT, DRIVE AROUND AND SEE DIFFERENT THINGS ALL THE TIME."





TERESA WELLER

*Work Health and Safety Manager
Sustainable Timber Tasmania*

For 20 years, Theresa has worked in Tasmania's forest industry, and nearly every day she has done something different.

Theresa and her team have proactively implemented positive safety outcomes for Sustainable Timber Tasmania and its contractor workforce, including its lowest employee lost-time-injury rate in decades.

Throughout her time with Sustainable Timber Tasmania, in roles including administration, fire management and operations, Theresa has been supported to discover her true passion for safety.

“AS WORK HEALTH AND SAFETY MANAGER, THE SINGLE MOST IMPORTANT THING IS TO GET EVERYONE HOME SAFE AND WELL EACH DAY TO THEIR LOVED ONES.”



HAFWEN PEARCE

*Coordinator Harvesting and Sales
Sustainable Timber Tasmania*

Hafwen started with Sustainable Timber Tasmania's fire management team many years ago, where she contributed to regeneration burning and firefighting activities. Notwithstanding challenges, Hafwen proceeded to defy a non-traditional career pathway and move into a role in operational planning.

Today, Hafwen manages Sustainable Timber Tasmania's North East Harvesting and Sales team.

The most important thing for Hafwen is working in a role where she can contribute to a bigger industry. As Coordinator, Hafwen supports the safe and effective production of high-quality eucalypt sawlogs for Tasmania's building and construction industry.

“I WOULDN'T HAVE BELIEVED ANYONE WHO TOLD ME AS A YOUNG WOMAN THAT I COULD HAVE AN ENJOYABLE CAREER IN FORESTRY.”



TO FIND OUT MORE, VISIT
[WWW.STTAS.COM.AU/
CAREERS](http://WWW.STTAS.COM.AU/CAREERS)

GROWTH

WE CREATE SUSTAINABLE VALUE

Sustainable Timber Tasmania's internal work committees create sustainable value and opportunities for an improved workplace environment and culture.

Sustainable Timber Tasmania has achieved significant outcomes through its commitment to diversity and inclusion, reconciliation and health and wellbeing. The establishment of these committees and associated work plans sets a positive path for future growth in these important areas.

RESPECT

WE CREATE SAFE SPACES

Sustainable Timber Tasmania proudly launched its first Diversity and Inclusion Policy and Action Plan in November 2021. It was a significant step in creating a safe workplace for all employees, where diversity and inclusion are respected, acknowledged and supported for the values they provide.

Diversity and Inclusion Committee – living the values

One of the first priorities of the committee was to develop a trainee/cadet career pathway for progression opportunities. Impressively, since its implementation in November 2021, three trainees have been appointed into permanent roles. A mentoring program is also being investigated to provide opportunities for skills sharing.

Externally, through the redesign of Sustainable Timber Tasmania's website, all content underwent a plain English accessibility review. This included the addition of an 'Easy Read' section to allow people with lower literacy and numeracy levels to engage with Sustainable Timber Tasmania's website, which proudly meets Australian Standard (WCAG 2.0) accessibility guidelines.

LIVING THE VALUES

Sustainable Timber Tasmania's organisational values (respect, responsibility, growth and excellence) underpin everything its people do each and every day. Importantly, Sustainable Timber Tasmania proudly contributes positive outcomes which demonstrate this.





Sustainable Timber Tasmania southern employees wearing new TradeMutt 'This is a conversation starter' work shirts.

RESPONSIBILITY

WE TAKE OWNERSHIP

Sustainable Timber Tasmania recognises its responsibility as a forest manager to build respectful relationships and create meaningful opportunities with Aboriginal people.

Reconciliation Action Plan Committee – living the values

In 2021, Sustainable Timber Tasmania commenced the development of its first ever Reconciliation Action Plan. Employees across multiple regions have joined together to implement positive outcomes aimed at identifying opportunities for engaging with local Aboriginal people and increasing understanding of Aboriginal values.

To achieve this, the committee has implemented location-specific 'Acknowledgement of Country' at monthly Toolbox meetings and internal events; undertaken Aboriginal Cultural Awareness Training; built connections with the Tasmanian Aboriginal community; and encouraged all employee participation in Reconciliation Action Week activities.

As part of the Reconciliation Action Plan and diversity objectives, the committee identified a position that would provide opportunities for Aboriginal people. It applied to the Anti-Discrimination Commissioner for an exemption for the position which was subsequently approved.

EXCELLENCE

WE MAKE IT HAPPEN

Sustainable Timber Tasmania is making health and wellbeing a priority and continually seeks to enhance its position as a workplace which supports a healthy, proactive and positive culture.

Health and Wellbeing Committee – living the values

A recent focus of the Health and Wellbeing Committee includes engaging employees in health and wellbeing activities, catering for professional development and career progression opportunities and maintaining advocacy for health and wellbeing in the workplace.

A custom Mindfulness training program was made available to employees; support provided to help some employees quit smoking; and in collaboration with service provider Healthy Business, an online offering of additional health and wellbeing resources was made accessible in addition to one on one coaching opportunities.



PROACTIVE PROGRAMS INCREASE KNOWLEDGE OF THE SWIFT PARROT

Sustainable Timber Tasmania remains focused on developing and implementing greater conservation outcomes for the swift parrot across Permanent Timber Production Zone land in Tasmania's forests.



Tasmanian ornithologist
Dr Andrew Hingston
surveying Southern Forests
coupes for swift parrots.



STRATEGIC MANAGEMENT

Sustainable Timber Tasmania is working to manage swift parrots in collaboration with experts, a local ornithologist, the Forest Practices Authority and other Government agencies. Among various strategic management initiatives, extensive work has continued to develop and implement a swift parrot management plan.

ON THE GROUND MANAGEMENT

Sustainable Timber Tasmania actively manages swift parrot habitat, foraging activity and breeding activity on the ground. This includes extensive planning for Forest Practices Plans and verification of swift parrot sightings in collaboration with the Forest Practices Authority. In October 2021, Sustainable Timber Tasmania launched its swift parrot monitoring program.

Swift parrot monitoring program

Sustainable Timber Tasmania's swift parrot monitoring program ran between October 2021 and January 2022 in collaboration with expert Tasmanian ornithologist, Dr Andrew Hingston. The program surveyed 190 sites across Permanent Timber Production Zone land in Tasmania's Southern Forests.

The long-term objective is to evaluate the effectiveness of and continue

to improve Sustainable Timber Tasmania's management of habitat to support swift parrot breeding in Tasmania's public production forests.

Outcomes

Initial outcomes showed that 65 out of 190 sites detected swift parrot activity, ranging from flying overhead, foraging, singing, perching amongst trees, chasing each other, and inspecting and entering and exiting tree hollows.

The program also involved deployment of acoustic (sound) monitors at 14 sites where potential swift parrot breeding was anticipated or highly likely. Acoustic data is being reviewed and will be used in future projects, including the development of a swift parrot call recogniser in collaboration with the University of Tasmania.

Future action

This monitoring program demonstrates the capability of Sustainable Timber Tasmania to undertake intensive monitoring for swift parrots, and the knowledge and results from the program are invaluable in understanding their breeding activity. The information will assist in making conservation-focused operational and land management decisions.

Sustainable Timber Tasmania intends to build on and continue this successful monitoring program in coming years.

IN OCTOBER 2021,
SUSTAINABLE TIMBER
TASMANIA LAUNCHED ITS
SWIFT PARROT MONITORING
PROGRAM. THE LONG-TERM
OBJECTIVE IS TO EVALUATE
THE EFFECTIVENESS OF AND
CONTINUE TO IMPROVE
SUSTAINABLE TIMBER
TASMANIA'S MANAGEMENT
OF HABITAT TO SUPPORT
SWIFT PARROT BREEDING
IN TASMANIA'S PUBLIC
PRODUCTION FORESTS.



TO FIND OUT MORE,
VISIT WWW.STTAS.COM.AU

PROTECTING TASMANIAN COMMUNITIES FROM BUSHFIRE

Sustainable Timber Tasmania's workforce lives and works in local communities. Each year, it unites as one strong statewide team to help protect life, property, and forests from the threat of bushfire.





FUEL REDUCTION BURNING

Sustainable Timber Tasmania is one of Tasmania's key firefighting agencies. Proudly, more than 74% of Sustainable Timber Tasmania's employees contribute to fire management activities, many as trained firefighters.

Along with the Tasmania Fire Service and Tasmania Parks and Wildlife Service, Sustainable Timber Tasmania is part of Tasmania's Interagency Bushfire Management Group and an essential contributor to the Statewide Fuel Reduction Burning Program.

Fuel reduction burns are generally low intensity and reduce the quantity of vegetation on the forest floor. Used strategically, they can help to protect property, communities, and forests from bushfire.

Each year, Sustainable Timber Tasmania renews its firefighting capabilities. Prior to each fire season, employees complete refresher training and a fire fitness assessment and all tankers and pumps are tested and serviced.

Supported by science, technology, research, and training, Sustainable Timber Tasmania's workforce is prepared to protect Tasmanian communities from the threat of bushfire. Each year, between October and April, Sustainable Timber Tasmania employees and contractors are on stand-by on weekends and public holidays, ready to respond to reports of fire.



"THIS YEAR, SUSTAINABLE TIMBER TASMANIA INCREASED ITS FIREFIGHTING FLEET WITH THE ADDITION OF TWO MEDIUM SIZED TANKERS AND TWO LARGE FIRE TRUCKS."





AVENUE RIVER FUEL REDUCTION BURN, SCAMANDER

On 12 December 2006, high forest fuel loads and katabatic winds propelled a bushfire towards the townships of Scamander, St Helens and St Marys on Tasmania's east coast.

Homes and businesses were destroyed, with the bushfire coming within metres of engulfing the Scamander township, forcing residents to choose between defending their home or evacuating the area.

Since 2006, Sustainable Timber Tasmania has implemented a mosaic of strategic fuel reduction burns inland from Scamander and across north east Tasmania to reduce the impact and risk of future bushfires.

Bushfire again threatened the Scamander community in October 2019, but past strategic fuel reduction burns reduced the intensity of the fire, protecting life and property.

In October 2021, to continue managing the risk of future catastrophic bushfires, the first of three stages of the Avenue River fuel reduction burn, managed by Sustainable Timber Tasmania, was completed to protect the Scamander and east coast community.

In April 2022, the second stage of the Avenue River fuel reduction burn drew on extensive organisational knowledge, comprehensive training and planning to maximise the effectiveness of burning operations while minimising the potential impact on the Scamander community.

Collaboratively working alongside Tasmanian communities, Tasmania Fire Service, Tasmania Parks and Wildlife Service, and contractors, Sustainable Timber Tasmania is committed to its role as one of the state's key firefighting agencies.



This year at the Avenue River fuel reduction burn, Sustainable Timber Tasmania resourced:



Sustainable Timber Tasmania firefighters



heavy tankers



light tankers

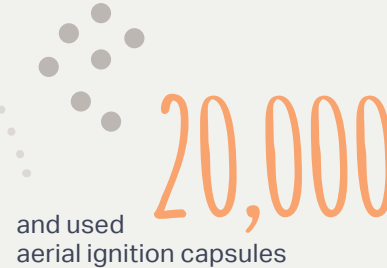


helicopters



bombardiers/navigators and three aerial incendiary operators

To reduce bushfire risk across



A special thank you to the Scamander Sports Complex who kindly provided their facilities and sports ground for Sustainable Timber Tasmania's staging area and airbase.

WE ARE PROTECTING TASMANIA'S FOREST GIANTS

Standing tall across Permanent Timber Production Zone (PTPZ) land in Tasmania, giant trees hold important cultural, societal and carbon values. Sustainable Timber Tasmania actively retains an ongoing commitment to protect its forest giants.





STRATEGIC MANAGEMENT

Sustainable Timber Tasmania delivers positive outcomes for identified and verified giant trees on Permanent Timber Production Zone (PTPZ) land across Tasmania.

During 2021/22, several giant trees were identified, managed and protected across Tasmania in accordance with Sustainable Timber Tasmania's Giant Tree Policy.

GIANT TREES ARE DEFINED AS TREES THAT ARE AT LEAST 85 METRES TALL OR AT LEAST 280 CUBIC METRES ESTIMATED STEM VOLUME. BASED ON CURRENT KNOWN EXAMPLES, TREES OF THIS VOLUME ARE GENERALLY AT LEAST FIVE METRES IN DIAMETER AT BREAST HEIGHT.

When a giant tree is verified through on ground surveys and using LiDAR technology, an informal reserve is established, which provides a minimum 100m buffer zone from any current or future forest operations.

Multiple informal reserves were established or implemented as a result of verified giant trees during 2021/22.

COLLABORATIVE CLIMATE CHANGE RESEARCH INITIATIVES

Forest giant Centurion (Eucalyptus regnans) is one subject of a Tasmanian research project aimed at understanding climate adaption in Australia's forests.

Centurion has endured countless climate-driven challenges, including Tasmania's 1967 and 2019 Huon Valley bushfires, and has demonstrated consistent resilience against the elements.

Sustainable Timber Tasmania manages the land on which Centurion stands and has actively monitored its recovery from recent bushfires with regular on-site visits.

University of Tasmania PhD candidate Ellen Gunn has collected DNA from Centurion as part of her project on

climate change adaption, alongside support from local arborists and Sustainable Timber Tasmania's Manager, Forest Management Services.

"This project will contribute to our understanding of forest tree adaptations and their vulnerability to future climate stress and provide an evidence-based framework for seed-sourcing to promote resilient forest revegetation in the face of climate change, thus improving the management of forest resources globally." – Ellen Gunn, PhD candidate, University of Tasmania.

As part of this project, Ellen is collecting DNA from a variety of Tasmanian eucalypt species, in an attempt to understand what specific elements of their genetic identity are most resilient and why.

Positively, the outcomes of Ellen's project could have the capability to inform the future of seed-sourcing, and to conduct forest regeneration operations in a manner which better responds to climate change.



EXPERIENCE CENTURION FOR YOURSELF! TO WATCH SUSTAINABLE TIMBER TASMANIA'S DRONE FOOTAGE OF CENTURION, VISIT WWW.STTAS.COM.AU



GIVING BACK TO LOCAL COMMUNITIES THROUGH THE SCHOOLS TREE DAY PROGRAM



Sustainable Timber Tasmania tree planting event at Kempton Primary School.

"We had a great session planting with foresters Josh and Adam. They did a great job explaining their role and worked well with the kids. Thanks for the opportunity."

– **Barrie, teacher, Spreyton Primary School**

"Thank you for the native trees and shrubs you provided for our school and to foresters Ellen and Emily for helping plant the trees with our students and educate them on their roles with Sustainable Timber Tasmania. The students and teachers really enjoyed the opportunity. We would like to have someone come in to talk about sustainable forests and where our resources come from."

– **Olivia, Assistant Principal, East Launceston Primary School**

OPPORTUNITIES

To celebrate Schools Tree Day, the Forest Education Foundation, Tasmanian teachers and Sustainable Timber Tasmania foresters take forest learning directly into classrooms and playgrounds.

Schools Tree Day is an opportunity to encourage Tasmanian students to learn about the environment while playing an active role in their community.

This year, 5,000 seedlings were carefully grown by Sustainable Timber Tasmania's Perth nursery and gifted to 50 schools across the state. Planting events were held at multiple locations including Kempton, Perth, Launceston, Spreyton and Scottsdale.



PLANTING EVENTS

SCOTTSDALE HIGH SCHOOL

Scottsdale High School hosted a tree planting event with Sustainable Timber Tasmania and the Forest Education Foundation at its school farm in July.

Students from Grade 8, 9 and 10 participated in the event and got their hands dirty planting a range of native tree and shrub species.

Sustainable Timber Tasmania's foresters spent time with the students discussing career opportunities in Tasmania's forest industry through its Cadet Forester Program.

Consequently, several female students expressed interest in a work experience opportunity with Sustainable Timber Tasmania.

PERTH NURSERY AND SEED CENTRE

Longford Primary School's Grade 4 and 5 students visited Sustainable Timber Tasmania's Perth Nursery and Seed Centre for a day of forest learning with the Forest Education Foundation and Assistant Nursery Manager Carlton Cox.

The field trip included a fun and engaging tour of the nursery, where students were able to explore the important story of seeds and how to prepare seedling trays.

SUSTAINABLE TIMBER TASMANIA IS PROUD TO HAVE ESTABLISHED A CONNECTION WITH THESE LOCAL SCHOOLS, AND TO HAVE PROVIDED TASMANIAN STUDENTS WITH HANDS-ON PLANTING AND STORY-TELLING EXPERIENCES. IT IS IMPORTANT TO US THAT WE CONTINUE THIS WORK INTO THE FUTURE.



LEARNING AND DEVELOPMENT

Improving productivity and strengthening the capability of its workforce is key to how Sustainable Timber Tasmania actively manages Permanent Timber Production Zone land for integrated economic, environmental, social, and cultural outcomes.



Sustainable Timber Tasmania and its employees proudly share a commitment to continual improvement. Together, we recognise and value the importance of continually finding new ways to do things efficiently, effectively and innovatively.

Sustainable Timber Tasmania's recognition as an Employer of Choice, and as a finalist in the 2021 WorkSafe Tasmania Awards and the 2022 Tasmanian Training Awards, exemplifies a commitment to workplace safety, culture, and capability.

EQUIPPING AND SUPPORTING OUR PEOPLE

Sustainable Timber Tasmania offers diverse training programs that equip its employees in core areas including identifying and protecting biodiversity values; workplace health and safety; professional skill development; mental health awareness; and firefighting.

In the past year:

100

More than
different courses were
offered to Sustainable
Timber Tasmania's
employees.

675



From this,
courses were completed by
employees. This is **almost a 100%
increase** from the previous year.

Sustainable Timber Tasmania foresters at a training day with the Forest Practices Authority

PROFILES

JENNA HAMMOND

Employed as a Senior Communications Advisor for Sustainable Timber Tasmania, Jenna is passionate about sharing stories about sustainable forestry and fire management.

Since joining Sustainable Timber Tasmania in 2019, Jenna has embraced the many opportunities a career in forestry presents.

With the support of Sustainable Timber Tasmania, Jenna has completed a Certificate in Engagement with IAP2, a Certificate II in Public Safety (Firefighting Operations) and a Certificate in Managing the Public Information Function at an Incident.

Jenna has worked in Incident Management Teams on campaign fires in both Tasmania and New South Wales. During bushfire and flood seasons, Jenna is engaged by the Tasmania Fire Service and State Emergency Service as one of Tasmania's four State On-Call Public Information Officers.

Jenna is also an engaged and committed Member of Forestry Australia – its Future Foresters Initiative Committee and Social Media Member Services Working Group – and the Tasmanian Forests and Forest Products Network.



SUSTAINABLE TIMBER
TASMANIA SUPPORTS
JENNA TO WORK AS
ONE OF TASMANIA FIRE
SERVICE AND STATE
EMERGENCY SERVICE'S
FOUR STATE ON-CALL
PUBLIC INFORMATION
OFFICERS.

BEN CRAWFORD

Ben is employed as a Tree Measurer with the goal of upskilling to the fire management team with Sustainable Timber Tasmania.

Over the past year, with the support of Sustainable Timber Tasmania, Ben completed a Forest Practices Authority Biodiversity course, a Driving and Recovery Four Wheel Drive course and has commenced a Certificate IV in Forestry Operations.

In previous years, Ben completed training opportunities provided by Sustainable Timber Tasmania including – Certificate II in Public Safety (Firefighting Operations), Medium Rigid Licence, and formal training in operating a front-end loader and grading logs.



OVER THE PAST YEAR,
WITH THE SUPPORT OF
SUSTAINABLE TIMBER
TASMANIA, BEN
COMPLETED MULTIPLE
COURSES WITH THE AIM OF
UPSKILLING TO THE FIRE
MANAGEMENT TEAM.

OUR BOARD



Rob de Fégely AM (Chair)

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

Rob de Fégely AM is a founding Director for Margules Groome Consulting Pty Ltd, a forest and forest industry consulting company based in Australia and New Zealand.

Rob is Chair of the Commonwealth Government's Forest Industry Advisory Council.

Rob has worked in the Australian forestry industry for nearly 40 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 Sustainable Timber Tasmania.



Suzanne Baker

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

Suzanne Baker is an experienced non-executive Director, Chair and Committee Member.

Suzanne has 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.

Suzanne is a qualified accountant with primary expertise in financial management. She is a Fellow of CPA Australia, a Fellow of the Australian Institute of Company Directors and has a Bachelor of Business and Masters in Fine Art and Design.

Suzanne is an independent Director of Sustainable Timber Tasmania.



Professor Mark Hunt

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

Professor Mark Hunt is a Professor of Forestry Science and Pro Vice Chancellor, Transformation at the University of Tasmania. Mark has nearly 30 years' experience in research and research management working with state and federal Governments and universities mainly in Tasmania and Queensland.

Mark's experience has primarily been based in the forestry sector, including domestic and international work in industrial and small-scale contexts. He has a Bachelor of Applied Science degree with first class Honours from the University of Tasmania, is a Doctor of Philosophy and holds an MBA.

Mark is a Graduate of the Australian Institute of Company Directors and a Member of Forestry Australia.

Mark is an independent Director of Sustainable Timber Tasmania.



Kathy Schaefer

PSM, GAICD, MBA

Kathy has over 30 years' experience working across Government portfolio areas of economic and industry development, infrastructure and major projects delivery, tourism, education, training and employment, land use planning and local Government.

Kathy is currently a non-executive Director of TasNetworks and a non-executive Director of Cradle Coast Authority.

Kathy is also a Commissioner on the Tasmanian State Grants Commission, a Divisional Council Member for AICD Tasmania and Chair of the Audit and Risk Committee for the Department of Treasury and Finance Tasmania.

Kathy holds an MBA from the University of Adelaide, a Bachelor of Education (BE), a Graduate Diploma in English as a Second Language from the Brisbane College of Advanced Education, and is a Graduate of the Australian Institute of Company Directors.

Kathy is an independent Director of Sustainable Timber Tasmania.



Therese Ryan

LLB, GAICD

Therese Ryan has extensive experience in commercial, legal and governance roles and has been a professional non-executive Director for over 10 years.

Previously, Therese spent over 40 years as a commercial lawyer. Therese's last executive role, from which she retired in 2010, was Vice President and General Counsel of General Motors International Operations in Shanghai.

Therese is currently the Chair of Gippsland Water and a non-executive Director of listed entities Bapcor Ltd and Korvest Ltd.

Therese serves on the Buxton Contemporary Museum Management Committee.

Therese has a Bachelor of Law degree from the University of Melbourne and is a Graduate of the Australian Institute of Company Directors.

Therese is an independent Director of Sustainable Timber Tasmania.



Kathryn Westwood

BCom, GAICD, FIPA, ASA, MRMIA

Kathryn Westwood is a highly experienced non-executive Director, Chair and Committee member with over 20 years' experience in commercial, finance and risk management roles within forestry, water, metals processing, insurance industries and Government in Tasmania.

Kathryn is currently the Chair of Blue Line Laundry Inc. and a non-executive Director of RACT Investment Holdings Pty Ltd and RACT Insurance Pty Ltd and is an independent Chair of the Department of Premier and Cabinet, Risk and Audit Committee.

She has a Bachelor of Commerce degree from the University of Tasmania and is a Graduate of the Australian Institute of Company Directors.

Kathryn is an independent Director of Sustainable Timber Tasmania.

Board and committee composition and meeting attendance

As at 30 June 2022, the Board had four committees in operation:

Finance, Audit and Risk Management Committee (FARMC); Environment, Safety and Health Committee (ESHC); Remuneration and Board Nomination Committee (RBNC) and Communications and Stakeholder Engagement Committee (CSEC).

Meeting attendance during the year:

	Board		FARMC		ESHC		RBNC		CSEC ¹	
	E	A	E	A	E	A	E	A	E	A
Mr Rob de Fégely	8	8	-	6	3	3	5	5	4	4
Ms Suzanne Baker	8	8	8	8	-	2	5	5	-	1
Prof. Mark Hunt ²	8	8	-	1	3	3	5	5	4	3
Ms Kathryn Westwood	8	8	8	8	-	-	5	5	-	2
Ms Therese Ryan	8	8	-	4	3	3	5	5	-	2
Ms Kathy Schaefer	8	8	8	8	-	1	5	5	4	4

1. The Communications and Stakeholder Engagement Committee (CSEC) commenced in December 2021.

2. Mark Hunt resigned on 30 June 2022.

E = eligible. A = attended

SUSTAINABLY SUPPORTING TASMANIA'S ECONOMY

This year, Sustainable Timber Tasmania is proud to report a fifth consecutive profit.

In the 2021/22 financial year, Sustainable Timber Tasmania generated a total comprehensive income of \$17.6 million with positive cash flows of \$3.9m and an underlying net profit of \$3.2m despite challenging conditions.

These challenges included COVID-19 induced supply chain pressures, a temporary downturn in woodchip demand from China, increasing fuel costs and the permanent closure of the business of a major southern Tasmanian customer.

Sustainable Timber Tasmania's financial performance did benefit from a small bushfire season, a weaker Australian dollar and a gain on the sale of land (\$7.2m).

Sustainable Timber Tasmania paid \$1.17m to the Tasmanian Government towards Forestry Initiatives. This is the first of five annual payments.

During the year, an ordinary dividend of \$1.09m was paid based on the 2020/2021 profitability. Sustainable Timber Tasmania's Board of Directors have recommended an ordinary dividend of \$1.0m be paid in relation to the 2021/2022 result.

Sustainable Timber Tasmania continues to support Tasmania's economy with 98% of purchases being sourced from Tasmanian businesses for a value of over \$105m.

This year:

\$17.6M

total comprehensive income

\$3.2M

underlying net profit

\$4.7M

operating cash flows

Contributed **\$1.17M** towards funding of the Tasmanian Government Forestry Initiatives

Buying local:

98% of purchases were paid to

647 Tasmanian businesses, totalling over **\$105M**

CORPORATE GOVERNANCE

Sustainable Timber Tasmania is a Government Business Enterprise with a Board of Directors responsible to the Tasmanian Resources Minister and the Tasmanian Treasurer for the achievement of Sustainable Timber Tasmania's objectives.

The primary legislation governing Sustainable Timber Tasmania's management and operations are the *Government Business Enterprises Act 1995* and the *Forest Management Act 2013*.

The Board operates a governance framework that meets the Tasmanian Government Corporate Governance Guidelines and is consistent with the ASX Corporate Governance Principles (4th edition):

Principle 1: Lay solid foundations for management and oversight

The Board is responsible for Sustainable Timber Tasmania's overall direction, management, operation, performance and corporate governance. The Board has an approved Charter which together with the *Government Business Enterprises Act 1995*, describes the roles and responsibilities of the Board, Chair, individual Directors, committees and the CEO. The content of the Board Charter meets the recommended content under Principle 1. An Authorisations Policy is in place to formalise delegations from the Board to CEO and management.

Through its Remuneration and Board Nomination Committee, each year the Board evaluates its own performance, the performance of the CEO and the performance of the General Management Team with the CEO.

Principle 2: Structure the Board to add value

In line with the Tasmanian Government's *Board Appointments Guidelines*, Directors' terms are generally three years. Directors are appointed by the Shareholding Ministers on recommendation from the Remuneration and Board Nomination Committee of the Board of Directors. The recommendation for appointment is made in line with the Tasmanian Government's *Board Appointments Guidelines and Procedures*. The Board has a skills matrix and succession plan to achieve a Board with a range of skills that will add the best value.

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

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

Sustainable Timber Tasmania's Director induction and professional development programs are based on the Tasmanian Government's *Director Induction, Education and Training Guidelines*.

Principle 3: Instil a culture of acting lawfully, ethically and responsibly

Sustainable Timber Tasmania has a Board-approved People and Culture Strategy, and Values which instil and reinforce a culture of acting lawfully, ethically and responsibly. The Board actively monitors the culture through reporting from the Chief Executive Officer.

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

Sustainable Timber Tasmania is also committed to complying with all relevant legislation, lawful directives of shareholders and company policies.

Sustainable Timber Tasmania is subject to the *Right to Information Act 2009* and the *Public Interest Disclosures Act 2002*. An Information Disclosure Policy is published on the organisation's website which describes the policy and procedure for obtaining information in-line with the requirements of both Acts.



CORPORATE GOVERNANCE (continued)

Principle 4: Safeguard integrity of corporate reporting

The Finance Audit and Risk Management Committee comprises three members, all of whom are non-executive Directors. The Committee Chair is not the Board Chair but is an independent non-executive Director with financial qualifications and experience. The qualifications, skills and expertise of committee members meet the suggested ASX Corporate Governance Principles' criteria for an audit committee.

The Charter of the Committee is approved by the Board and meets the recommended content for audit committees. The process for approving the annual financial statements includes declarations from the CEO and General Manager Corporate Services (CFO-equivalent) in relation to the proper maintenance of the financial records and the accurate representation of Sustainable Timber Tasmania's financial performance and position. Reference to these declarations is included in the Board's certification of the financial statements at the end of the Annual Report.

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

Principle 5: Make timely and balanced disclosure

Under its Charter, one of the Board's key functions is to engage and communicate effectively with shareholders. This is conducted in accordance with the *Reporting Guidelines for Tasmanian Government Businesses* published by the Department of Treasury and Finance. In addition continual disclosures of material matters via routine briefings occur. The Board has processes in place to identify and escalate matters of significance, including those that may affect the value of Sustainable Timber Tasmania or may require shareholders to comment.

Principle 6: Respect the rights of security holders

The *Government Business Enterprises Act 1995* prescribes the rights and powers of shareholders while the Ministerial Charter specifies the shareholders' expectations of the Board and Sustainable Timber Tasmania, and the Statement of Corporate Intent summarises the key performance measures to be achieved each year. Requirements of the Tasmanian Government's *Reporting Guidelines* are incorporated into Sustainable Timber Tasmania's systems and processes so that shareholders are fully informed of financial and operating performance throughout the year.

Principle 7: Recognise and manage risk

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

The Committee reviews the enterprise risk management framework to test whether it adequately identifies and mitigates actual and emerging risks for Sustainable Timber Tasmania, and reports to the Board on these issues at least annually.

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

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

Principle 8: Remunerate fairly and responsibly

The Board has a Remuneration and Board Nominations Committee comprising all non-executive Directors and chaired by the Board Chair. The Committee's role is to assist the Board in relation to executive remuneration strategies and policies, and to support both the Board and the Directors Selection Advisory Panel in relation to Board appointments. The content of the Committee's Charter meets the relevant aspects of Principle 8.

Remuneration for non-executive Directors is determined directly by shareholders in accordance with the Tasmanian Government Board and Committee Remuneration Framework. Sustainable Timber Tasmania's Executive Remuneration Policy is based on the Tasmanian Government's *Directors and Executive Remuneration Guidelines*. The guidelines specify the permissible components of executive remuneration, incentive programs, links to performance, and reporting and disclosure requirements. The Remuneration and Board Nominations Committee reviews and recommends to the Board all matters related to the CEO's remuneration, including short-term incentives, and the remuneration of the General Management Team.



STATEMENT OF CORPORATE INTENT

The Statement of Corporate Intent sets out the key financial and non-financial performance targets to be met by Sustainable Timber Tasmania in 2021/2022. The targets are agreed with Sustainable Timber Tasmania's shareholders. The 2021/2022 results compared to targets are presented in the following table.

Financial and Non-Financial Performance Targets

Target	Target 2021/22	Result 2021/22	Comment
Underlying net profit ¹ (\$ million)	4.7	3.2	Target not met
Net cash flow from operations (\$ million)	2.3	4.7	Met target
High quality eucalypt sawlogs (cubic metres)	120,000	115,869	Met customer demand
Special species sawlogs (cubic metres)	8,400	14,070	Met target
Native forest regenerated ³ (hectares)	4,700	6,391	Met target
Thinning of plantations for future sawlog production (hectares)	650	359	Met required needs
Forestry road construction to deliver customer commitments (kilometres)	Up to 55	36.4	Met required needs
Forestry road maintenance to deliver customer requirements, plus non-commercial maintenance to provide continued public access (kilometres)	Up to 4,000	3,296	Met required needs
Contribution to State prevention, preparation and detection of bushfires (percentage of employees trained and available)	> 70% of employees	74 ²	Met target
Lost time injury frequency rate – employees	< 8	0	Met target
Lost time injury frequency rate – contractors	< 13	20.5	Target not met

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

2. 74% equates to full-time employees.

3. Native forest regenerated is total site prepared for regeneration.

BLACKWOOD PRODUCTION

A season of drier weather resulted in Sustainable Timber Tasmania accessing blackwood swamps during 2021/22, resulting in the production of over 12,500 cubic metres of blackwood.

Blackwood trees are found in a wide range of forest types across the state. The best and largest blackwood resource is found in the wet forests and blackwood swamps of north-west Tasmania. Blackwood timber is highly sought after and the colour ranges from light tan to red-brown to dark chocolate, with a contrasting white sapwood.



1 October 2022

The Hon. Felix Ellis
Minister for Resources
Level 5, Parliament Square
4 Salamanca Place
Hobart 7000



STATEMENT OF COMPLIANCE

Dear Minister,

In accordance with section 55 of the *Government Business Enterprises Act 1995*, we hereby submit for your information and presentation to Parliament, the Annual Report of Sustainable Timber Tasmania for the year ended 30 June 2022.

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

Yours faithfully

Rob de Fégely AM
Chair
Board of Sustainable Timber Tasmania

Steve Whiteley
Chief Executive Officer
Sustainable Timber Tasmania

FINANCIAL STATEMENTS 2021-2022

Sustainable Timber Tasmania
and its subsidiaries

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Directors' Report

The Directors' Report for Forestry Tasmania trading as Sustainable Timber Tasmania (the "Organisation") for the financial year ended 30 June 2022 has been prepared in accordance with the requirements of the *Government Business Enterprises Act 1995*.

The Directors' Report should be read in conjunction with the Organisation's audited Financial Statements for the financial year ended 2022.

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	Chair	1 June 2016	N/A
Suzanne Baker	Director	15 December 2015	N/A
Prof. Mark Hunt	Director	22 December 2015	30 June 2022
Kathryn Westwood	Director	1 August 2018	N/A
Therese Ryan	Director	1 July 2019	N/A
Kathy Schaefer	Director	1 February 2020	N/A
Prof. Rodney Keenan	Director	18 July 2022	N/A

Principal Activities

The Organisation's principal purpose is to manage and control all Permanent Timber Production Zone land and to undertake forest operations on Permanent Timber Production Zone land for the purpose of selling forest products.

Basis of Presentation

The Organisation's financial statements are presented on a consolidated basis and provide information that is material about the financial position, financial performance and cash flows that is useful to the primary users of the financial statements.

Results

The Organisation recorded total comprehensive income of \$17,601,000 for the financial year ended 30 June 2022 as compared to the total comprehensive income of \$3,880,000 for the financial year ended 30 June 2021.

Going Concern Basis for the Preparation of the Annual Financial Statements

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

Director and Executive Remuneration

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

Dividends

The Organisation paid an Ordinary Dividend of \$1,091,790 under Section 84 of the *Government Business Enterprises Act 1995* on 30 November 2021.

The Board will advise the Treasurer and the Portfolio Minister of its recommendation for a dividend payable by the Organisation in respect of the 2021/2022 financial year within 60 days of the end of the financial year.

Events Subsequent to Balance Date

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

Indemnification and Insurance of Officers

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

Dated at Hobart, this 5th day of August 2022.

Signed in accordance with a resolution of Directors:



Rob de Fégely AM
Director



Kathryn Westwood
Director



Level 8, 144 Macquarie Street, Hobart, Tasmania, 7000
Postal Address GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6173 0900
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

5 August 2022

The Board of Directors
Forestry Tasmania
trading as Sustainable Timber Tasmania
Level 1
99 Bathurst Street
HOBART TAS 7000

Dear Board Members

Auditor's Independence Declaration

In relation to my audit of the financial report of Forestry Tasmania, trading as Sustainable Timber Tasmania, for the financial year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

A handwritten signature in black ink, appearing to read "R Whitehead".

Rod Whitehead
Auditor-General

Auditor's Independence Declaration

For the year ended 30 June 2022

Consolidated statement of Comprehensive Income

Sustainable Timber Tasmania
and its subsidiaries

For the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Revenue			
Revenue	B1(a)	113,201	124,835
Gain on sale of assets	B1(i)	7,220	80
Finance income	B1(h)	388	307
Biological asset valuation increment	C1	11,526	2,140
Total revenue		132,335	127,362
Expenses			
Expense from operations	B1(b),(e),(f),(g)	(116,100)	(121,854)
Finance expense	B1(h)	(1,512)	(1,635)
Total expenses		(117,612)	(123,489)
Net profit/(loss) before tax		14,723	3,873
Income tax (expense)/benefit on net profit/(loss)	B2	(3,650)	(1,162)
Net profit/(loss) after tax		11,073	2,711
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Increase/(decrease) in the revaluation of land and buildings	D4	943	(41)
Gain/(loss) on remeasurement of defined benefit liability	E4	8,401	1,711
Income tax (expense)/benefit on revaluation of land and buildings	B2	(283)	12
Income tax (expense)/benefit on remeasurement of defined benefit liability	B2	(2,520)	(513)
Income tax (expense)/benefit on prior year	B2	(13)	-
Total items that will not be reclassified to profit or loss		6,528	1,169
Total comprehensive income/(expense) for the year attributable to the equity holders of the parent		17,601	3,880

The Consolidated statement of Comprehensive Income is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated statement of Financial Position

Sustainable Timber Tasmania
and its subsidiaries

As at 30 June 2022

	Note	2022 \$'000	2021 \$'000
Current Assets			
Biological assets	C1	10,895	8,680
Cash and cash equivalents	D1(a)	15,125	11,132
Trade and other receivables	D2	8,811	7,018
Inventories	D3	14,789	15,536
Other financial assets	D5	21,515	22,778
Total Current Assets		71,135	65,144
Non Current Assets			
Biological assets	C1	188,605	177,820
Trade and other receivables	D2	34	84
Property, plant and equipment	D4	25,022	24,121
Other financial assets	D5	5	5
Total Non Current Assets		213,666	202,030
Total Assets		284,801	267,174
Current Liabilities			
Re-establishment provision	C2	3,035	3,291
Trade and other payables	D6(a)	12,421	9,551
Lease liabilities	D6(b)	1,255	954
Contract liabilities	D7	1,134	653
Employee benefits	E2	3,944	3,781
Total Current Liabilities		21,789	18,230
Non Current Liabilities			
Deferred tax liability	B2	26,624	20,159
Re-establishment provision	C2	6,200	6,721
Lease liabilities	D6(b)	5,903	6,886
Contract liabilities	D7	6,189	6,255
Employee benefits	E3	22,417	29,753
Total Non Current Liabilities		67,333	69,774
Total Liabilities		89,122	88,004
Net Assets		195,679	179,170
Equity			
Contributed equity		381,518	381,518
Reserves		5,755	5,095
Retained earnings/(Accumulated losses)		(191,594)	(207,443)
Total Equity		195,679	179,170

The Consolidated statement of Financial Position is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated statement of Cash Flows

Sustainable Timber Tasmania and its subsidiaries

For the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Inflows:			
Cash receipts from customers		104,745	125,428
Government funding		12,000	12,000
Interest received		297	277
Outflows:			
Cash paid to suppliers and employees		(111,976)	(135,815)
Interest paid on leases		(390)	(456)
Net cash provided by/(used in) operating activities	D1(b)	4,676	1,434
Cash flows from investing activities			
Inflows:			
Proceeds from investment in other term deposits		2,000	15,000
Proceeds from sale of property, plant and equipment		7,231	714
Outflows:			
Payments to suppliers and employees for biological assets		(4,324)	(3,959)
Payments for property, plant and equipment and other assets		(3,379)	(5,691)
Net cash provided by/(used in) investing activities		1,527	6,064
Cash flows from financing activities			
Inflows:			
Proceeds from sale of other financial assets		6,045	-
Outflows:			
Payments for other financial assets		(6,481)	(5,550)
Lease payments		(682)	(1,398)
Transfer of capital		-	(5,050)
Ordinary dividend		(1,092)	(2,000)
Net cash provided by/(used in) financing activities		(2,210)	(13,998)
Net increase/(decrease) in cash and cash equivalents held			
Cash and cash equivalents at the beginning of the year		11,132	17,632
Cash and cash equivalents at the end of the year	D1(a)	15,125	11,132

The Consolidated statement of Cash Flows is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated statement of Changes In Equity

Sustainable Timber Tasmania
and its subsidiaries

For the year ended 30 June 2022

	Contributed Equity \$'000	Property & General Revaluation Reserve \$'000	Retained Earnings/ (Accumulated losses) \$'000	Total Equity \$'000
Balance at 30 June 2020	386,568	5,124	(209,352)	182,340
Total comprehensive income for the year				
Profit or (loss)	-	-	2,711	2,711
<i>Other comprehensive income</i>				
Increase/(decrease) in the revaluation of land and buildings	-	(29)	-	(29)
Remeasurement defined benefit superannuation liability	-	-	1,198	1,198
<i>Total other comprehensive income</i>	-	(29)	1,198	1,169
Total comprehensive income for the year	-	(29)	3,909	3,880
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Transfer of capital to equity holders	(5,050)	-	-	(5,050)
Dividends to equity holders	-	-	(2,000)	(2,000)
<i>Total contributions by and distributions to owners</i>	(5,050)	-	(2,000)	(7,050)
Balance at 30 June 2021	381,518	5,095	(207,443)	179,170
Balance at 30 June 2021	381,518	5,095	(207,443)	179,170
Total comprehensive income for the year				
Profit or (loss)	-	-	11,073	11,073
<i>Other comprehensive income</i>				
Increase/(decrease) in the revaluation of land and buildings	-	660	-	660
Remeasurement defined benefit superannuation liability	-	-	5,881	5,881
Transfer of prior year income tax to retained earnings	-	-	(13)	(13)
<i>Total other comprehensive income</i>	-	660	5,868	6,528
Total comprehensive income for the year	-	660	16,941	17,601
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Dividends to equity holders	-	-	(1,092)	(1,092)
<i>Total transactions with owners</i>	-	-	(1,092)	(1,092)
Balance at 30 June 2022	381,518	5,755	(191,594)	195,679

The Consolidated statement of Changes in Equity is to be read in conjunction with the accompanying notes to the financial statements.

Section A: Corporate Information and Basis for Preparation

Sustainable Timber Tasmania
and its subsidiaries

For the year ended 30 June 2022

A1 Details of reporting entity

The consolidated financial statement and notes thereto relate to Forestry Tasmania trading as Sustainable Timber Tasmania (the "Organisation") and its subsidiaries (collectively referred to as the "Group"). For the purposes of preparing the consolidated financial statements, the Organisation is a for-profit entity.

The Organisation is a State-owned Government Business Enterprise. The Group's principal purpose is to manage and control all Permanent Timber Production Zone land and to undertake forest operations on Permanent Timber Production Zone land for the purpose of selling forest products. The Organisation's Head Office is located at 99 Bathurst Street, Hobart, Tasmania. The Group also has regional offices throughout Tasmania.

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

A2 Statement of compliance

The consolidated financial statements of the Group are general purpose financial statements and have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), the *Government Business Enterprises Act 1995* (GBE Act) and applicable Treasurer's Instructions. They have been prepared on the basis that the Group operates on a going concern basis.

The consolidated financial statements for the year ended 30 June 2022 were authorised for issue by the Board of Directors on 5 August 2022.

A3 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

- Biological assets are measured at fair value less costs to sell in note C1;
- Financial assets disclosed in note F1;
- Superannuation liabilities in note E1 and E4.

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

The consolidated financial statements are compared to the consolidated financial statements for the prior 12-month period ended 30 June 2021.

A4 Basis of consolidation

The Group's financial statements consolidate those of the parent entity and its controlled entities (subsidiaries) as at 30 June 2022. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

A5 Significant accounting judgements and estimates

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

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

Section A: Corporate Information and Basis for Preparation (continued)

A5 Significant accounting judgements and estimates (continued)

The following significant judgements, estimates and assumptions are included in the financial statements:

- Note B1 describes the process applied by the Group to determine the timing of satisfaction of performance obligations and recognition of revenue;
- Note C1 describes the methodology applied to estimate the value of Biological assets;
- Note C2 describes the basis applied to estimate the value of the Re-establishment provision;
- Note D2 describes the use of judgement to assess indicators of impairment for Trade and other receivables;
- Note D4 describes depreciation, amortisation, expected credit losses and revaluation of Property, plant and equipment;
- Note D6 describes the process applied by the Group to satisfy the recognition of Lease liabilities;
- Note E describes the methodology applied to estimate the value of defined benefit obligations (Employee Benefits) and other Employee Benefits;
- Note G8 describes the use of judgement to assess indicators of impairment for Financial assets.

A6 New standards adopted as at 1 July 2021

Accounting pronouncements which have become effective from 1 July 2021 and have therefore been adopted do not have a significant impact on the Group's financial performance or position.

A7 New standards not yet adopted

At the date of authorisation of the financial statements, there are no new or revised standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant or material to its operations and effective for the accounting period that commenced on or after 1 July 2021.

Similarly, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued, but are not yet effective.

Standard/Interpretation	Summary	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending	Impact on financial report
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i> and AASB 2020-6 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i> .	Requires a liability to be classified as current when a company does not have a substantive right to defer settlement at the end of the reporting period.	1 January 2023	30 June 2024	The assessment has indicated that there will be no change required to how we classify current and non-current liabilities.
AASB 2021-2 <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i> .	Amends AASB Standards to improve accounting policy disclosures, to provide more useful information to users of the financial statements and clarify the distinction between accounting policies and accounting estimates.	1 January 2023	30 June 2024	The assessment has indicated that the change will not have a material impact but may change the disclosure of accounting policies included in the financial statements.

Section B: Details on Financial Performance

Sustainable Timber Tasmania
and its subsidiaries

For the year ended 30 June 2022

B1 Operating Profit

B1(a) Disaggregated Revenue

Accounting policy

Revenue arises from the sale of forest products, lease agreements, licences and other forest management services and the performance of community service obligations.

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

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

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

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

Sale of forest products

Revenue from the sale of forest products is recognised when the Group has transferred control of the assets to the customer. The transfer of control of the assets to the customer is deemed to be either when the timber is loaded at the landing or delivered to the mill door.

Revenue for products sold 'Free on Board' (FOB) is recognised when the ship departs port. Revenue for products sold 'Cost and Freight' (CRF) is recognised when the goods reach the destination port.

Sale of leases, licences and other forest management services

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

Performance of Community Service Obligations

Government funding is received from the State to contribute towards the performance of Community Service Obligations. Revenue received for the performance of Community Service Obligations is recognised in profit and loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the funding is intended to compensate.

Other Government funding

Government funding was received from the State under the Tasmanian Forest Agreement during the period 1 July 2013 and 30 June 2017. Revenue was recognised in the period that the performance obligation is satisfied.

Section B: Details on Financial Performance (continued)

B1 Operating Profit (continued)

B1(a) Disaggregated Revenue (continued)

	Note	Sale of forest products 2022 \$'000	Sale of leases, licences, insurance proceeds and other forest management services 2022 \$'000	Performance of Community Service Obligations 2022 \$'000	Other Government funding 2022 \$'000	Total 2022 \$'000
Type of goods or services						
Australia		94,601	6,550	12,000	50	113,201
Other countries		-	-	-	-	-
		94,601	6,550	12,000	50	113,201
Timing of revenue recognition						
Goods transferred at a point in time		94,601	144	-	50	94,795
Services transferred over time		-	6,343	12,000	-	18,343
Insurance proceeds	B1(c)	-	63	-	-	63
		94,601	6,550	12,000	50	113,201
	Note					
Type of goods or services						
Australia		101,984	8,296	12,000	2,555	124,835
Other countries		-	-	-	-	-
		101,984	8,296	12,000	2,555	124,835
Timing of revenue recognition						
Goods transferred at a point in time		101,984	235	-	2,555	104,774
Services transferred over time		-	6,935	12,000	-	18,935
Insurance proceeds	B1(c)	-	1,126	-	-	1,126
		101,984	8,296	12,000	2,555	124,835

During the year, the Group received sales revenue of \$3,478,000 from the sale of forest products pursuant to co-mingled sales agreements (2021: \$7,837,000). The Group also incurred expenses of \$3,478,000 pursuant to the same sales agreements (2020: \$7,837,000). The expenses are included in Contractor and freight expenses at note B1(e).

Section B: Details on Financial Performance (continued)

B1 Operating Profit (continued)

B1(a) Disaggregated Revenue (continued)

Performance of Community Service Obligations includes:

	2022 \$'000	2021 \$'000
Land management	8,000	8,000
Fuel reduction	2,000	2,000
Fire prevention	2,000	2,000
Total revenue from the performance of Community Service Obligations	12,000	12,000

B1(b) Net expense incurred in implementing Tasmanian forestry initiatives

	2022 \$'000	2021 \$'000
State Government's on-island processing program and physical upgrades to sawmills and timber companies	1,170	-
Net costs incurred in funding forestry-related election commitments	1,170	-

In 2021, the State Government implemented a range of initiatives relating to the Tasmanian forestry industry with a total estimated cost of \$11,700,000 over five years. The State Government directed the Group to contribute 50 per cent of the estimated cost (\$5,850,000) and determined that the Group's contribution would be paid to the Department of State Growth. During the year, the Group paid \$1,170,000 to the Department of State Growth which represents a contribution towards the State Government on-island processing program and physical upgrades to sawmills and timber companies.

B1(c) Net expense incurred in the performance of Fire Prevention Community Service Obligations

	2022 \$'000	2021 \$'000
Fire prevention	3,529	2,159
Net fire-fighting (income)/costs	884	(700)
Net costs incurred in the performance of Fire Prevention Community Service Obligation	4,413	1,459

Revenue received from performance of fire prevention community service obligations is included in revenue at B1(a). Expenses incurred in the performance of Fire Prevention Community Service Obligations is included in expenses from operations at B1(e).

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

	2022 \$'000	2021 \$'000
Insurance proceeds	63	1,126
Expenses incurred in repairing and reinstating insured assets	(63)	(1,126)
Net income/(expense) from insurance proceeds	-	-
Additional expenses incurred in repairing and reinstating uninsured assets	-	416

Revenue received from insurance proceeds is included in revenue at B1(a). Expenses incurred repairing and reinstating insured and uninsured assets is included in expenses from operations at B1(e).

B1(e) Expenses from operations

	2022 \$'000	2021 \$'000
Contractor and freight expenses	73,880	83,893
Vehicle lease and associated costs	716	525
Property rental	154	260
Professional services	2,528	2,185
Consultancies	408	409
Local government rates	1,579	1,580
Property management	1,144	2,559
Equipment purchases and rentals	720	929
Office expenses	940	934
Information technology expense	1,467	1,393
Travel and accommodation	216	199
Operating lease rentals	933	269
Expected credit losses – trade receivables	509	266
Other expenses	3,097	3,568
	88,291	98,969



Section B: Details on Financial Performance (continued)

B1 Operating Profit (continued)

B1(f) Depreciation and amortisation expense

		2022 \$'000	2021 \$'000
Roads and road structures	C1	2,851	2,296
Buildings and leasehold improvements	D4	296	277
Right to use assets	D4	1,028	1,360
Plant and equipment	D4	799	950
Vehicles	D4	1,288	-
		6,262	4,883

B1(g) Employee benefits expense

		2022 \$'000	2021 \$'000
Salaries and wages		17,461	15,219
Other employment related expenses		303	246
Contribution to accumulation superannuation funds		1,664	1,469
Employee service cost for defined benefit scheme	E4	949	1,068
		20,377	18,002
Total expenses incurred in implementing Tasmanian Forestry initiatives, operations, depreciation, amortisation and employee benefits expense		116,100	121,854

B1(h) Finance income and expense

Accounting policy

Finance income comprises gains on financial assets recognised in profit and loss from term deposits and other financial assets that is recognised in profit or loss (see note D5). Finance income is recognised in profit or loss as it accrues using the effective interest method.

Finance expense comprises finance charges recognised on operating leases, interest costs associated with the defined benefit liability and losses on hedging instruments. All finance expenses are recognised in profit or loss using the effective interest method, unless they relate to a qualifying asset, in which case they are capitalised.

	2022 \$'000	2021 \$'000
Recognised in profit or loss:		
Gain on financial assets	388	307
Total finance income	388	307
Foreign exchange losses	(172)	(239)
Defined benefit liability interest costs	(950)	(940)
Finance charges – leased assets	(390)	(456)
Total finance expense	(1,512)	(1,635)

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

	2022 \$'000	2021 \$'000
Gain/(loss) on sale or disposal of assets	7,220	80
	7,220	80
Reconciliation of sale of assets		
Proceeds from sale	7,231	714
Written down value	(11)	(634)
Gain/(loss) on sale or disposal of assets	7,220	80

During the year, the Group recognised a gain on the sale of land of \$7,190,000. The land was acquired in 1999 at a cost of \$614,000 and had a carrying value of \$nil on sale. The land was sold pursuant to an expression of interest sales process conducted by a real estate agent instructed by the Group.

Section B: Details on Financial Performance (continued)

B2 Taxation

Accounting policy

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

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled.

Deferred tax is credited in the profit and loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

The Organisation and its wholly-owned Australian resident entities are members of a tax-consolidated group under Australian tax law. The Organisation is the head entity within the tax-consolidated group. In addition to its own current and deferred tax amounts, the Organisation also recognises the current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group.

Amounts payable or receivable under the tax-funding arrangement between the Organisation and the entities in the tax consolidated group are determined using a 'separate taxpayer within group' approach to determine the tax contribution amounts payable or receivable by each member of the tax-consolidated Group. This approach results in the tax effect of transactions being recognised in the legal entity where that transaction occurred, and does not affect transactions that have no tax consequences to the Group. The same basis is used for tax allocation within the tax-consolidated group.

B2(a) Current tax (expense)/benefit

	2022 \$'000	2021 \$'000
Increase/(decrease) in deferred tax asset	(3,204)	(3,633)
(Increase)/decrease in deferred tax liability	(3,263)	1,970
Movement posted direct to other comprehensive income	2,520	513
Movement posted direct to equity reserve	283	(12)
Adjustment for prior year posted directly to equity reserve	13	-
	(3,650)	(1,162)

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

	2022 \$'000	2021 \$'000
Profit/(loss) before tax	14,723	3,873
Income tax (expense)/benefit using the tax rate of 30% (2020:30%)	(4,417)	(1,162)
Expenditure not allowable for income tax purposes	(6)	-
Add prior year under/over provision	13	-
Recognise tax cost base of land disposed	184	-
Recognise prior year capital losses now utilised	576	-
Income tax (expense)/benefit on pre tax net profit	(3,650)	(1,162)

B2(c) Deferred tax balances

	2022 \$'000	2021 \$'000
<u>Assets</u>		
Non current	28,933	32,137
<u>Liabilities</u>		
Non current	(55,558)	(52,295)
Net deferred tax asset/(liability)	(26,624)	(20,159)



Section B: Details on Financial Performance (continued)

B2 Taxation (continued)

B2(d) Reconciliation of deferred tax balances

	Opening balance \$'000	Charged to Statement of Comprehensive Income \$'000	Charged to equity \$'000	Closing balance \$'000
2022				
Deferred tax assets				
Employee benefits	10,043	(2,135)	-	7,908
Other	2,382	3,006	-	5,388
Property, plant, equipment and land	11,999	(4,661)	(283)	7,055
Deferred tax losses	7,578	607	-	8,185
Provision for expected credit losses	135	263	-	398
Transfer – deferred tax liability	(32,137)	-	-	(28,933)
Total	-	(2,920)	(283)	-
Deferred tax liabilities				
Biological assets	(50,248)	(3,372)	-	(53,620)
Inventories	(1,725)	(213)	-	(1,938)
Property, plant, equipment and land	(322)	322	-	-
Transfer – deferred tax asset	32,137	-	-	28,933
Total	(20,159)	(3,263)	-	(26,624)
Net deferred tax assets/(liabilities)	(20,159)	(6,183)	(283)	(26,624)
2021				
Deferred tax assets				
Employee benefits	10,033	10	-	10,043
Other	6,592	(4,210)	-	2,382
Property, plant, equipment and land	14,106	(2,119)	12	11,999
Deferred tax losses	4,942	2,636	-	7,578
Provision for expected credit losses	95	40	-	135
Transfer – deferred tax asset	(35,768)	-	-	(32,137)
Total	-	(3,643)	12	-
Deferred tax liabilities				
Biological assets	(49,668)	(580)	-	(50,248)
Inventories	(1,506)	(219)	-	(1,725)
Property, plant, equipment and land	(3,092)	2,770	-	(322)
Transfer – deferred tax asset	35,768	-	-	32,137
Total	(18,498)	1,971	-	(20,159)
Net deferred tax assets/(liabilities)	(18,498)	(1,672)	12	(20,159)

B3 Dividends

Accounting policy

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

An ordinary dividend of \$1,091,790 was paid during the 2021/22 financial year in relation to 2020/21 results (2021: \$2,000,000).

The Board will advise the Treasurer and the Portfolio Minister of its recommendation in respect of a dividend payable by the Organisation, if any, in respect of the 2021/2022 financial year within 60 days of the end of the financial year.



Section C: The Forest Estate

Sustainable Timber Tasmania
and its subsidiaries

For the year ended 30 June 2022

C1 Biological assets

Accounting policy

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

The forest estate value is measured at fair value less costs to sell, with any changes in value recognised in the Statement of Comprehensive Income under 'biological asset valuation increment/(decrement)'. Rights to plantations at harvest date pursuant to Tree Farm Agreements are valued using the same methodology.

The discounted cash flow approach involves applying a discounted cash flow analysis to estimate the net annual income derived from the forest estate in each year of the projected holding period of the asset.

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

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

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

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

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

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

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

The forest estate value reflects the quantities available for harvest under the Forest Management Act (2013). A market derived discount rate of 8.5% (2021: 8.5%) is then used to discount the net annual income to determine a present value of the existing forest crop in accordance with the requirements of AASB 141 Agriculture to value the biological assets.

	2022 \$'000	2021 \$'000
Current		
Standing timber at valuation	10,895	8,680
Non current		
Standing timber at valuation	168,753	158,949
Roads and road structures	10,617	8,859
Re-establishment of make good assets	9,235	10,012
	188,605	177,820
	199,500	186,500

Reconciliation of biological assets

	Forest \$'000	Make Good \$'000	Roads \$'000	Total \$'000
Carrying amount as at 1 July 2021	167,629	10,012	8,859	186,500
Additions	493	(777)	4,608	4,324
Depreciation	-	-	(2,851)	(2,851)
Revaluation	11,526	-	-	11,526
Carrying amount as at 30 June 2022	179,648	9,235	10,617	199,500
Carrying amount as at 1 July 2020	164,570	11,139	7,591	183,300
Additions	919	(1,127)	4,167	3,959
Depreciation	-	-	(2,296)	(2,296)
Adjustments	-	-	(603)	(603)
Revaluation	2,140	-	-	2,140
Carrying amount as at 30 June 2021	167,629	10,012	8,859	186,500

Section C: The Forest Estate (continued)

C2 Re-establishment provision

Accounting policy

The Group recognises an obligation to re-establish harvested coupes at the conclusion of harvesting activities by setting aside a provision equivalent to the expected costs of re-establishment.

The provision is based on harvested area and estimated treatment costs. Re-establishment is assessed and costs are estimated during the 3-year period from completion of harvesting activities.

The provision results in the creation of a make good asset identified under the biological asset class.

The value of the make good asset is treated as a reallocation between the forest and the make good asset. The provision is apportioned between current and non-current liabilities based on the expected timing of re-establishment activities.

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

	2022 \$'000	2021 \$'000
Current	3,035	3,291
Non current	6,200	6,721
	9,235	10,012

	Re- establishment provision \$'000	Total \$'000
Reconciliation of movement through the year:		
Carrying amount as at 1 July 2021	10,012	10,012
Additional provision made during the year	4,426	4,426
Utilisation of provision	(2,503)	(2,503)
Unused amounts reversed during the period	(2,700)	(2,700)
Unwinding of discount	-	-
Adjustment for change in discount rate	-	-
Carrying amount as at 1 July 2022	9,235	9,235

Section D: Details on Financial Position Items

Sustainable Timber Tasmania
and its subsidiaries

For the year ended 30 June 2022

D1 Cash and cash equivalents

Accounting policy

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

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

D1(a) Reconciliation of cash and cash equivalents

	2022 \$'000	2021 \$'000
For the purposes of the cash flow statements, cash and cash equivalents comprise the following as at 30 June:		
Cash at bank	3,415	2,178
Short-term deposits	11,706	8,950
Floats and advances	4	4
	15,125	11,132

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

	2022 \$'000	2021 \$'000
Net profit/(loss) after tax	11,073	2,711
Add/(less) items classified as investing/financing activities:		
(Profit)/loss on disposal of non current assets	(7,220)	(80)
(Profit)/loss on other financial assets	(91)	(30)
Add/(less) non-cash items:		
Biological asset valuation (increment) /decrement	(11,526)	(2,140)
Depreciation and amortisation	6,262	4,883
Expected credit losses – trade receivables	509	266
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(1,743)	1,307
(Increase)/decrease in other financial assets	(210)	-
(Increase)/decrease in inventories	747	625
Increase/(decrease) in trade and other payables	2,870	(5,530)
Increase/(decrease) in contract liabilities	415	(2,788)
Increase/(decrease) in deferred tax	3,662	1,162
Increase/(decrease) in provisions	(72)	1,048
Net cash provided by operating activities	4,676	1,434

Section D: Details on Financial Position Items (continued)

D1 Cash and cash equivalents (continued)

D1(c) Reconciliation of liabilities arising from financing activities

Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Statement of Cash Flows as cash flows from financing activities.

	Lease liabilities \$'000	Total \$'000
Carrying amount as at 1 July 2020	9,238	9,238
Changes from financing cash flows:		
Cash received	-	-
Cash payments	(1,398)	(1,398)
Balance as at 30 June 2021	7,840	7,840
	Lease liabilities \$'000	Total \$'000
Carrying amount as at 1 July 2021	7,840	7,840
Changes from financing cash flows:		
Cash received	-	-
Cash payments	(682)	(682)
Balance as at 30 June 2022	7,158	7,158

Section D: Details on Financial Position Items (continued)

D2 Trade and other receivables

Accounting policy

Trade and other receivables are recognised on performance of the Group's obligations and measured at fair value. All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. Collection terms are generally between 30–90 days for trade receivables. The average debtor days at 30 June 2022 was 23 days (2021: 41 days).

All of the Group's trade and other receivables have been reviewed for expected credit losses. Certain trade receivables were found to be impaired and an allowance of \$509,000 (2021: \$266,000) has been recognised within other expenses.

Additional information on the accounting policy for trade and other receivables and provision for expected credit loss is disclosed in Section F: Financial Instruments and Risk Management.

	2022 \$'000	2021 \$'000
Current		
Trade and other receivables	9,282	6,632
Less provision for expected credit losses	(1,328)	(953)
Accrued revenue	991	1,473
Less provision for expected credit losses	(134)	(134)
Total current receivables	8,811	7,018
Non current		
Other receivables	34	84
	34	84

D3 Inventories

Accounting policy

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

- raw materials – purchase cost or costs of direct materials and labour and a proportion of overheads;
- finished goods and work in progress – costs of direct materials and labour and a proportion of overheads.

	2022 \$'000	2021 \$'000
Gravel stocks at cost	3,046	2,714
Seed and seedlings at cost	3,019	2,734
Harvested timber at cost	8,449	9,816
Stores general at cost	275	272
	14,789	15,536

Section D: Details on Financial Position Items (continued)

D4 Property, plant and equipment

Accounting policy

Land, excluding permanent timber production zoned land and land under plantation, and buildings are measured at fair value less accumulated depreciation and accumulated impairment losses recognised after the date of the revaluation. Land and buildings are classed as Level 2 assets under the fair value measurement standard.

Non-current assets measured at fair value are revalued with sufficient regularity to ensure the carrying amount of each asset does not differ materially from fair value at reporting date. Periodic reviews are completed for specifically identified land and buildings every 3 to 5 years by an independent valuer. Other land and building assets are valued using Capital Value Adjustment Factors supplied from the office of the Valuer General. Revaluation increments are recognised in the asset revaluation reserve except for amounts reversing a decrement previously recognised as an expense, which are recognised as revenues in other comprehensive income. Revaluation decrements are only offset against revaluation increments relating to the same asset. Any excess is recognised as an expense.

Right of use assets, plant and equipment, and vehicles are stated at cost less accumulated depreciation and accumulated impairment losses. Capital work in progress is stated at cost less accumulated impairment losses.

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

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

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the 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.

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

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

Freehold land and buildings are measured on a fair value basis, being the amount for which the assets could be exchanged between knowledgeable and willing parties in an arm's-length transaction, having regard to the highest and best use of the asset for which other parties would be willing to pay.

The valuation as at 30 June 2022 for major assets was determined by an independent valuer, the Valuer General, on the basis of open market values for existing use of specific assets. Subsequent movements in these assets are determined by applying the Capital Value Adjustment Factors obtained from the office of the Valuer General.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified asset for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by the Group. The right-of-use assets are initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives;
- any initial direct costs incurred by the lessee;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

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

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property and equipment. Depreciation of plant and vehicles has been recognised in the profit or loss on a diminishing value basis.

Assets under lease are amortised over the shorter of the lease term and the useful life unless it is reasonably certain that the 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:

- land is not depreciated;
- buildings 10 to 40 years;
- right of use assets 3 to 20 years;
- plant and equipment 2 to 15 years;
- vehicles 3 years.

Section D: Details on Financial Position Items (continued)

D4 Property, plant and equipment (continued)

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

Reconciliation of property, plant and equipment assets

	Land \$'000	Buildings \$'000	Right-of-use assets \$'000	Plant & equipment \$'000	Vehicles \$'000	Capital work in progress \$'000	Total \$'000
Carrying amount at 1 July 2020	1,507	7,817	8,967	2,713	-	583	21,587
Additions	420	1,632	135	3,188	-	5,728	11,102
Disposals	-	-	(489)	(31)	-	(114)	(634)
Reallocation	-	(4)	-	109	-	1	106
Revaluation	97	(138)	-	-	-	-	(41)
Movement in work in progress	-	-	-	-	-	(5,411)	(5,411)
Depreciation	-	(277)	(1,360)	(950)	-	-	(2,587)
Carrying amount at 30 June 2021	2,024	9,029	7,253	5,028	-	786	24,121
Carrying amount at 1 July 2021	2,024	9,029	7,253	5,028	-	786	24,121
Additions	-	-	-	1,454	1,334	3,219	6,006
Disposals	-	-	-	(8)	(3)	-	(11)
Reallocation	-	-	-	(1,237)	1,237	-	-
Revaluation	262	682	-	-	-	-	943
Movement in work in progress	-	-	-	(193)	-	(2,434)	(2,627)
Impairment	-	-	-	-	-	-	-
Depreciation	-	(296)	(1,028)	(799)	(1,288)	-	(3,411)
Carrying amount at 30 June 2022	2,286	9,415	6,225	4,245	1,280	1,571	25,022
Depreciated replacement cost of assets 30 June	1,806	7,390	-	3,903	1,281	-	14,380

The movement in work in progress of \$2,434,000 (2021: \$5,411,000) relates to Road assets included in Biological assets disclosed at note C1.



Section D: Details on Financial Position Items (continued)

D5 Financial assets

Accounting policy

The accounting policy for financial assets is disclosed in Section F: Financial Instruments and Risk Management.

Other term deposits

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

Other financial assets

Other financial assets represent timber purchased under agreement where the seller has the enforceable option to repurchase the timber within 15 months of sale. The gain on financial assets is recognised in profit and loss at note B1(g).

Investment in public company

The investment in public company represents equity investments held in an Australian unlisted public company.

	2022 \$'000	2021 \$'000
Current		
Other term deposits	13,900	15,900
Prepayments	1,508	1,298
Other financial assets	6,107	5,580
Total current financial assets	21,515	22,778
Non current		
Investment in public company	5	5
	5	5

D6(a) Trade and other payables

Accounting policy

The accounting policy for trade and other payables is disclosed in Section F: Financial Instruments and Risk Management.

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

	2022 \$'000	2021 \$'000
Current		
Trade creditors and other payables	8,056	6,623
Accrued expenses	4,365	2,928
Total current payables	12,411	9,551

Section D: Details on Financial Position Items (continued)

D6(b) Lease liabilities

Accounting policy

The Group recognises a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time.

The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

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

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

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

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

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

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

	2022 \$'000	2021 \$'000
Current	1,255	954
Non current	5,903	6,886
	7,158	7,840
Reconciliation of movement through the year:		
Carrying amount at 1 July	7,840	9,238
Interest expense	390	456
Payments	(1,072)	(1,854)
Carrying amount at 30 June	7,158	7,840
	2022 \$'000	2021 \$'000
Maturity analysis		
Year 1	1,123	1,195
Year 2	962	1,123
Year 3	985	962
Year 4	910	985
Year 5	698	910
Onwards	4,783	5,482
Less unearned interest	(2,303)	(2,817)
Carrying amount at 30 June	7,158	7,840



Section D: Details on Financial Position Items (continued)

D7 Contract liabilities

Accounting policy

Contract liabilities include deferred income pursuant to forestry rights over a 99-year term where income is proportionally recognised in comprehensive income over the term of the right. The deferred income was received in October 2017.

Other contract liabilities generally include deferred income pursuant to property leases and rights where income is received in advance and proportionally recognised in comprehensive income over the term of the contract.

There were no significant changes in the contract liability balances during the reporting period.

	2022 \$'000	2021 \$'000
Current	1,134	653
Non Current	6,189	6,255
	7,323	6,908
	2022 \$'000	2021 \$'000
Tasmanian Forest Agreement		
Opening balance	-	3,025
Receipts	-	-
Revenue recognised in comprehensive income	-	(2,455)
Capital component derecognised on acquittal	-	(570)
Closing balance	-	-
Deferred income – forestry rights		
Opening balance	6,254	6,320
Receipts	-	-
Revenue recognised in comprehensive income	(66)	(66)
Closing balance	6,188	6,254
Other Contract liabilities		
Opening balance	654	417
Receipts	531	337
Revenue recognised in comprehensive income	(50)	(100)
Closing balance	1,135	654
Closing balance as at 30 June 2022	7,323	6,908

D8 Interest bearing liabilities

Accounting policy

The accounting policy for interest bearing liabilities is disclosed in Section F: Financial Instruments and Risk Management.

The Group has a secured loan facility provided by the Tasmanian Public Finance Corporation for the Group's maximum borrowing limit of \$5 million.

The facility is secured by a floating charge over the Group's trade and other receivables.

The carrying amount of trade and other receivables which the Group has pledged as security is \$9,282,000 (2021: \$6,632,000).

The facility limit remains in place at 30 June 2022 although the Group has not required the use of the facility since it was made available.

The Group also has a A\$2,000,000 multi-currency overdraft facility to facilitate foreign currency transactions (2021: A\$2,000,000) and a \$500,000 credit card facility limit.

The overdraft facility was undrawn at 30 June 2022 (2021: undrawn). The credit card facility was drawn in the amount of \$16,000 at 30 June 2022 (2021: \$102,000).

The full amount payable on credit cards is included in current liabilities as this is payable within 31 days before interest is charged. After this date, the payable bears interest at 17.99% pa (2021: 17.99% pa) payable monthly.

	2022 \$'000	2021 \$'000
Financing arrangements		
The Organisation has access to the following lines of credit:		
Total facilities available:		
Credit cards	500	500
Multi currency overdraft facility	2,000	2,000
Loan facility – secured	5,000	5,000
	7,500	7,500
Facilities used at balance date:		
Credit cards	16	102
Multi currency overdraft facility	-	-
Loan facility – secured	-	-
	16	102
Facilities not utilised at balance date:		
Credit cards	484	398
Multi currency overdraft facility	2,000	2,000
Loan facility – secured	5,000	5,000
	7,484	7,398



Section E: Employee Entitlements

Sustainable Timber Tasmania
and its subsidiaries

For the year ended 30 June 2022

E1 Employee benefits

Accounting policy

Superannuation

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Organisation's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted.

An independent actuarial assessment of the Group's unfunded superannuation liability has determined the overall obligation to current and past employees. The actuary uses the 'Projected Unit Credit' method to determine the unfunded superannuation liability.

The discount rate is the yield at the reporting date based on AA credit-rated or government bonds that have maturity dates approximating the terms of the Organisation's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the 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 liquid market does exist. On this basis the Defined Benefit Obligation at 30 June 2022 is based on a corporate bond yield of 5.35% (2021: 3.20%).

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

The defined benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. The superannuation liability is determined by a Treasury-appointed independent Actuary.

Annual leave

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

Long service leave

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

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

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

Workers compensation

The Group 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 2022. The provision also includes an allowance for incurred but unreported claims at 30 June 2022.

Sick leave

No liability has been recognised for sick leave as any entitlement to sick leave is non-vesting.

Section E: Employee Entitlements (continued)

E2 Current employee benefits

	2022 \$'000	2021 \$'000
Annual leave	1,204	1,226
Long service leave	2,031	1,916
Superannuation defined benefit scheme	655	576
Workers compensation	54	63
	3,944	3,781

E3 Non-current employee benefits

	2022 \$'000	2021 \$'000
Long service leave	221	170
Superannuation defined benefit scheme	22,196	29,583
	22,417	29,753

Assumed rate of increase in wages and salaries rates	3.50%	3.00%
Discount rate used in the calculation of the long service leave provision ranges from 2.47% to 4.01% (2021 range 2.47% to 4.01%).		
Settlement terms (years) – long service leave	10 years	10 years

E4 Superannuation liability

	2022	2021
Key assumptions		
Assumptions to Determine Defined Benefit Cost		
Discount rate (active members)	3.20%	3.15%
Discount rate (pensioners)	3.20%	3.15%
Expected rate of increase of compulsory preserved amounts	3.00%	3.00%
Expected salary increase rate	3.00%	3.00%
Expected pension increase rate	2.25%	2.25%
Assumptions to Determine End of Year Defined Benefit Obligation		
Discount rate (active members)	5.35%	3.20%
Discount rate (pensioners)	5.35%	3.20%
Expected salary increase rate	3.50%	3.00%
Expected rate of increase of compulsory preserved amounts	5.50%	3.00%
Expected pension increase rate	5.50%	2.25%

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

	Base Case	Scenario A	Scenario B	Scenario C	Scenario D
Discount rate (pa)	5.35%	4.35%	6.35%	5.35%	5.35%
Pension increase rate (pa)	2.50%	2.50%	2.50%	1.50%	3.50%
Defined benefit obligation (A\$'000s)	27,284	31,416	23,970	25,132	29,896

Section E: Employee Entitlements (continued)

E4 Superannuation liability (continued)

Profit or loss impact

	2022 \$'000	2021 \$'000
Current service cost	949	1,068
Net interest	950	940
Defined benefit cost recognised in profit or loss	1,899	2,008
Other comprehensive income		
Actuarial (gains) losses	(9,243)	(1,433)
Actuarial return on plan assets less interest income	842	(278)
Total remeasurements recognised in other comprehensive income	(8,401)	(1,711)
Reconciliation of the Net Defined Benefit Liability/(Asset)		
Defined Benefit Obligation	27,284	35,158
Fair value of plan assets	(4,433)	(4,999)
Deficit/(surplus)	22,851	30,159
Net defined benefit liability/(asset)	22,851	30,159
Current net liability	655	576
Non-current net liability	22,196	29,583

Reconciliation of the Fair Value of Scheme Assets

	2022 \$'000	2021 \$'000
Fair value of plan assets at beginning of the year	4,999	4,298
Interest income	163	139
Actual return on plan assets less interest income	(842)	278
Employer contributions	806	412
Contributions by plan participants	326	356
Benefits paid	(1,009)	(483)
Taxes, premiums and expenses paid	(10)	(1)
Fair value of plan assets at end of the year	4,433	4,999

Reconciliation of the Defined Benefit Obligation

	2022 \$'000	2021 \$'000
Present value of defined benefit obligation at beginning of the year	35,158	34,572
Current service cost	949	1,068
Interest cost	1,113	1,079
Contributions by plan participants	326	356
Actuarial (gains)/losses arising from changes in financial assumptions	(8,338)	(288)
Actuarial (gains)/losses arising from liability experience	(905)	(1,145)
Benefits paid	(1,009)	(483)
Taxes, premiums and expenses paid	(10)	(1)
	27,284	35,158

Fair value of scheme assets Asset Category	Total \$'000	Quoted prices in active markets for identical assets –		
		Level 1 \$'000	Significant observable inputs – Level 2 \$'000	Unobservable inputs – Level 3 \$'000
Cash Deposits	-	-	-	-
Australian Equities	771	-	771	-
International Equities	935	-	935	-
Infrastructure	572	-	146	426
Diversified fixed interest	989	-	989	-
Property	829	-	75	754
Alternative Investments	337	-	337	-
Total	4,433	-	3,253	1,180

The maturity profile at 30 June 2022 is 60.5 years.

Expected employer contributions for the year ended 30 June 2022 are \$655,000 (30 June 2021: \$576,000)



Section E: Employee Entitlements (continued)

E4 Superannuation liability (continued)

	2022 \$'000	2021 \$'000
Current service cost		
1 Total current service cost at beginning of year	(1,226)	(1,380)
2 Interest for the year	(39)	(43)
3 Expected contributions tax and expenses	(10)	(1)
4 Expected employee contributions	326	356
5 Expected change in contributions tax provision	-	-
6 Accumulation contributions met from surplus	-	-
7 Current service cost	(949)	(1,068)
Interest expense		
1 Defined benefit obligation at beginning of year	35,158	34,572
2 Expected distributions	(721)	(667)
a. Weighted timing	(361)	(334)
3 Average defined benefit obligation (1-2a)	34,797	34,238
4 Discount rate	3.20%	3.15%
5 Interest expense (3 x 4)	(1,113)	(1,079)
Interest income		
1 Fair value of plan assets at beginning of year	4,999	4,298
2 Expected employer contributions	576	568
a. Weighted for timing	288	284
3 Expected employee contributions	326	356
a. Weighted for timing	163	178
4 Expected distributions during year	721	667
a. Weighted for timing	361	334
5 Expected expenses, tax and insurance premiums	10	1
a. Weighted for timing	5	1
6 Average expected fair value of assets (1+2a+3a-4a-5a)	5,084	4,425
7 Discount rate	3.20%	3.15%
8 Interest income (6 x 7)	163	139
Net interest		
1 Interest expense	(1,113)	(1,079)
2 Interest income	163	139
3 Net interest (1-2)	(950)	(940)
Actuarial (Gains)losses (recognised in Other Comprehensive Income)		
1 Actuarial (gain)/loss on Defined Benefit Obligation – experience	(905)	(1,145)
2 Actuarial (gain)/loss on Defined Benefit Obligation – change in demographic assumptions	-	-
3 Actuarial (gain)/loss on Defined Benefit Obligation – change in financial assumptions	(8,338)	(288)
4 Actuarial (gain)/loss (1+2+3)	(9,243)	(1,433)

Section E: Employee Entitlements (continued)

E5 Key management personnel compensation and other disclosures

Remuneration principles

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

Non-executive Director remuneration

Non-executive Directors are appointed by the Governor-in-Council on the joint recommendation of the Treasurer and Portfolio Minister. Each instrument of appointment is for a maximum period of three years and prescribes the relevant remuneration provisions. Directors can be re-appointed in accordance with the relevant *Guidelines for Tasmanian Government Businesses – Board Appointments*. The level of fees paid to non-executive Directors is administered by the Department of Premier and Cabinet, as is additional fees paid in respect of their work on Board committees.

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

Executive remuneration

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

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

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

The remuneration structures take into account the capability and experience of the General Management Team, the General Management Team's ability to control the relevant segment performance and achievement of the Organisation's strategic initiatives.

The employment and conditions of the General Management Team are contained in individual employment contracts and related documents. These documents prescribe total remuneration, superannuation, annual and long service leave and vehicle and salary sacrifice provisions.

The performance of each senior executive, including the Chief Executive Officer, is reviewed annually, which includes a review of the remuneration package. The terms of employment of each senior executive, including the Chief Executive Officer, contain a termination clause that requires the senior executive or the Organisation to provide a minimum notice of between 3 and 6 months prior to termination of the contract or make redundancy payments if relevant. Chief Executive Officer contracts for GBEs include a set term consistent with the requirements of the *Government Business Enterprises Act 1995*. Service contracts have duration not exceeding five years but can be extended based on the Organisation's requirements.

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

The Organisation has not made any loans with any member of the Board of Directors, the General Management Team or their related parties.

Key management personnel remuneration meets the Department of Treasury and Finance's Guidelines for Government businesses – Director and Executive Remuneration reporting requirements and is prepared in accordance with Treasurer's Instruction GBE 08-55-06 Annual Report and Statement of Compliance for GBEs and the Member's Direction of June 2014 to SOCs.

Other key management personnel are determined to be the members of the Organisation's General Management Team. The Organisation's General Management Team comprises 5 members at 30 June 2022 (2021: 5 members). The Remuneration Committee of the Board is responsible for determining and reviewing compensation arrangements for members of the General Management Team.

When members of key management personnel are unable to fulfill their duties, consideration is given to appointing other members of senior staff to their position during their period of absence. Individuals are considered members of key management personnel when acting arrangements are for more than a period of one month.

There were no overseas trip completed by Directors or senior management (members of the General Management Team) during the year (2021: Nil). There were no overseas trips undertaken by employees of the business during the year (2021: Nil).

Section E: Employee Entitlements (continued)

E5 Key management personnel compensation and other disclosures (continued)

The aggregate compensation to key management personnel of the Organisation is set out below:

	Director Remuneration		Executive Remuneration		Consolidated	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Short-term employee benefits	397	381	1,365	1,303	1,762	1,684
Post-employments benefits	41	36	142	131	183	167
Other long-term benefits	-	-	35	24	35	24
Termination benefits	-	-	-	-	-	-
	438	417	1,542	1,458	1,980	1,875

2022 Director Remuneration¹

Non-Executive Directors

Name	Position	Start Term	End Term	Director fees \$'000	Committee fees \$'000	Superannuation ² \$'000	Other Benefits ³ \$'000	Total \$'000
Mr R de Fégely AM	Chair	01-Jun-2016		111	-	11	-	122
Ms S Baker	Director	15-Dec-2015		53	3	6	-	62
Prof. M Hunt	Director	22-Dec-2015	30-Jun-2022	53	3	6	-	62
Ms K A Westwood	Director	01-Aug-2018		53	6	6	-	65
Ms T Ryan	Director	01-Jul-2019		53	4	6	-	63
Ms K Schaefer	Director	01-Feb-2020		53	5	6	-	64
Total				376	21	41	-	438

2021 Director Remuneration¹

Non-Executive Directors

Name	Position	Start Term	End Term	Director fees \$'000	Committee fees \$'000	Superannuation ² \$'000	Other Benefits ³ \$'000	Total \$'000
Mr R de Fégely AM	Chair	01-Jun-2016		108	-	10	-	118
Ms S Baker	Director	15-Dec-2015		51	3	5	-	59
Prof. M Hunt	Director	22-Dec-2015		51	2	5	-	58
Ms K A Westwood	Director	01-Aug-2018		51	6	5	-	63
Ms T Ryan	Director	01-Jul-2019		51	4	5	-	60
Ms K Schaefer	Director	01-Feb-2020		51	3	5	-	59
Total				363	18	36	-	417

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

² Superannuation means the contribution to the superannuation fund of the individual.

³ There were no other benefits paid to Directors.

Section E: Employee Entitlements (continued)

E5 Key management personnel compensation and other disclosures (continued)

General Management Team Remuneration 2021-22

	Base Salary ¹ \$'000	Short-Term Incentive Payments ² \$'000	Superannuation ³ \$'000	Vehicles ⁴ \$'000	Other Monetary Benefits ⁵ \$'000	Other Non-Monetary Benefits ⁶ \$'000	Total Remuneration \$'000	Termination Benefits ⁷ \$'000	Other Long-Term Benefits ⁸ \$'000	Total \$'000
Mr S Whiteley – Chief Executive Officer	398	-	47	-	-	-	445	-	(1)	444
Mr C Brookwell – GM Corporate Services	303	-	30	-	-	-	333	-	10	343
Mr D Bartlett – GM Business Development and Strategy	212	-	21	-	-	-	233	-	7	240
Ms S Weeding – GM Conservation and Land Management	212	-	21	8	-	-	241	-	7	248
Mr G Hickey – GM Operations	233	-	23	(1)	-	-	255	-	12	267
Total	1,358	-	142	7	-	-	1,506	-	35	1,542

General Management Team Remuneration 2020-21

	Base Salary ¹ \$'000	Short-Term Incentive Payments ² \$'000	Superannuation ³ \$'000	Vehicles ⁴ \$'000	Other Monetary Benefits ⁵ \$'000	Other Non-Monetary Benefits ⁶ \$'000	Total Remuneration \$'000	Termination Benefits ⁷ \$'000	Other Long-Term Benefits ⁸ \$'000	Total \$'000
Mr S Whiteley – Chief Executive Officer	385	-	46	-	-	-	431	-	(2)	429
Mr C Brookwell – GM Corporate Services	291	-	26	-	-	-	317	-	11	328
Mr D Bartlett – GM Business Development and Strategy	201	-	19	-	-	-	220	-	3	223
Ms S Weeding – GM Conservation and Land Management	202	-	19	6	-	-	227	-	6	233
Mr G Hickey – GM Forest Products	222	-	21	(4)	-	-	239	-	6	245
Total	1,301	-	131	2	-	-	1,434	-	24	1,458

Executive remuneration notes and statements

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

- 1 Base salary includes all forms of consideration paid and payable for services rendered, compensated absences during the period and salary sacrifice amounts.
- 2 There were no short-term incentive payments paid to Executives.
- 3 Superannuation means the contribution to the superannuation fund of the individual. Superannuation benefits for members of a defined benefit scheme were calculated using a notional cost.

4 The personal use component of the total cost of providing and maintaining a vehicle for an executive's use, including registration, insurance, fuel and other consumables, maintenance cost and parking (i.e. the notional value of parking provided at premises that are owned or leased) and the reportable fringe benefits amount referable to a vehicle.

5 There were no other monetary benefits paid to Executives.

6 There were no other non-monetary benefits paid to Executives.

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

8 Other long-term benefits include annual and long service leave movements.

Section F: Financial Instruments and Risk Management

Sustainable Timber Tasmania
and its subsidiaries
For the year ended 30 June 2022

Accounting policy

Recognition, initial measurement and derecognition

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

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

Classification and subsequent measurement of financial assets

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

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

- amortised cost;
- fair value through profit or loss (FVPL).

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

Classifications are determined by both:

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

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

Subsequent measurement financial assets

Financial assets at amortised cost

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

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

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

Section F: Financial Instruments and Risk Management (continued)

Trade and other receivables and financial assets

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

The Group assesses impairment of trade receivables on a collective basis.

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Risk management objectives and policies

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

- credit risk;
- liquidity risk;
- market risk.

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

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

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

Credit risk

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

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

The risk management and investment policies are established to identify and analyse the risks faced by the Group, 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 Group's risk management and investment policies and is assisted in this task by internal audit.

Trade receivables

The credit risk is managed within the Group's credit risk management policies and procedures.

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

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

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

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

The expected credit loss for trade receivables as at 30 June 2022 and 30 June 2021 was determined as follows:

	Current \$'000	More than 30 days \$'000	More than 60 days \$'000	More than 90 days \$'000	Total \$'000
30 June 2022					
Gross carrying amount	4,856	1,241	1,058	2,127	9,282
Expected credit loss	-	(32)	(26)	(1,270)	(1,328)
Net carrying amount	4,856	1,209	1,032	857	7,954
	Current \$'000	More than 30 days \$'000	More than 60 days \$'000	More than 90 days \$'000	Total \$'000
30 June 2021					
Gross carrying amount	5,478	28	35	1,091	6,632
Expected credit loss	(8)	(15)	(35)	(896)	(955)
Net carrying amount	5,470	13	-	196	5,679

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



Section F: Financial Instruments and Risk Management (continued)

Term deposits:

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

Other financial assets:

Other financial assets comprises timber purchased under a purchase and sale agreement with a customer in the forestry industry in Tasmania. The Group has registered security over the timber and has enforceable rights to deal with the timber to manage credit risk in accordance with ordinary commercial practices.

There is no expected credit loss on term deposits or other financial assets.

Liquidity risk:

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

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

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

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

Market risk:

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

Foreign currency sensitivity:

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

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

To mitigate the Group's exposure to foreign currency risk, foreign currency cash flows are monitored and forward exchange contracts are entered into in accordance with the Group's risk management policies. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

Forward exchange contracts are entered into for short-term foreign currency exposures that are not expected to be offset by other currency transactions.

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

Interest rate sensitivity:

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

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

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 0.5% (2021: +/- 0.5%).

Description	Fair value at 30 June 2022 \$'000	Unobservable inputs	Inputs	Relationship of unobservable inputs to Profit and Equity
Term deposits	25.61	Interest rate	0.5% increase	Profit and equity increases \$0.1m
		Interest rate	0.5% decrease	Profit and equity decreases \$0.1m

Description	Fair value at 30 June 2021 \$'000	Unobservable inputs	Inputs	Relationship of unobservable inputs to Profit and Equity
Term deposits	24.85	Interest rate	0.5% increase	Profit and equity increases \$0.2m
		Interest rate	0.5% decrease	Profit and equity decreases \$0.2m

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

Section F: Financial Instruments and Risk Management (continued)

F1 Financial assets and liabilities

Term deposits represent deposits held with Australian financial institutions with fixed interest rates ranging between 1.08% and 3.87% per annum. Other cash and cash equivalents represent deposits held with Australian financial institutions with variable interest rates ranging between 0.85% and 1.1% per annum. The carrying amounts at amortised cost is equal to fair value.

The carrying amounts of trade and other receivables, other financial assets and trade and other payables is considered a reasonable approximation of fair value.

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

	Note	Amortised cost 2022 \$'000	Assets at fair value through profit and loss (FVPL) 2022 \$'000	Total 2022 \$'000
Financial Assets				
Term deposits	D5	13,900	-	13,900
Other cash and cash equivalents	D1	15,125	-	15,125
Trade and other receivables	D2	8,845	-	8,845
Other financial assets	D5	6,107	-	6,107
Investment in public company	D5	-	5	5
		43,977	5	43,982
	Note		Other liabilities (amortised cost) 2022 \$'000	Total 2022 \$'000
Financial Liabilities				
Trade and other payables	D6(a)		(12,421)	(12,421)
			(12,421)	(12,421)

	Note	Amortised cost 2021 \$'000	Assets at fair value through profit and loss (FVPL) 2021 \$'000	Total 2021 \$'000
Financial Assets				
Term deposits	D5	15,900	-	24,850
Other cash and cash equivalents	D1	11,132	-	2,182
Trade and other receivables	D2	8,400	-	8,400
Other financial assets	D5	5,580	-	5,580
Investment in public company	D5	-	5	5
		41,012	5	41,017
	Note		Other liabilities (amortised cost) 2021 \$'000	Total 2021 \$'000
Financial Liabilities				
Trade and other payables	D6(a)		(9,551)	(9,551)
			(9,551)	(9,551)



Section F: Financial Instruments and Risk Management (continued)

F2 Derivative financial assets

Accounting policy

Recognition, initial measurement and derecognition

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

The Group's policy is to hedge 100% of the Organisation's net USD credit exposure. During the year ended 30 June 2022, 100% of the net USD credit exposure were hedged in respect of foreign currency risk using foreign currency forward exchange contracts.

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

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

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

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

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

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

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

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

F3 Fair value measurement

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

Description	Fair value at 30 June 2022 \$'000,000	Unobservable inputs	Inputs	Relationship of unobservable inputs to fair value
Forest estate incorporating biological asset	199.5	Price	5% increase	value increases \$61.5m
		Discount rate	1% increase	value decreases \$15.5m
		Discount rate	1% decrease	value increases \$17.9m
		Cost	5% increase	value decreases \$36.0m

Section G: Other Disclosures

Sustainable Timber Tasmania
and its subsidiaries

For the year ended 30 June 2022

G1 Expenditure commitments

G1(a) Capital expenditure commitments

There are no capital expenditure commitments (2021: Nil).

G2 Contingent liabilities

Accounting policy

Indemnities have been provided to Directors and senior management of the Group 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 2022.

The Group has an obligation pursuant to a forestry right to purchase future standing timber at the fair market value in the year 2116.

The obliging event is equally unperformed by both parties at balance date and the future obligation does not apply until the expiration of the forestry right in the year 2116 and therefore it is difficult to reliably quantify any obligation.

At various anniversary dates of the Plantation sale and purchase agreement, the Purchaser is able to surrender the relevant part of the Forestry Right where they deem the land Unproductive Area (unsuitable and/or uneconomical for future commercial plantation forestry).

The Group may be entitled to receive a Regeneration Payment from the Purchaser as part of the surrender where the Purchaser has harvested timber or the area is damaged by fire. The Group has an obligation to regenerate the Unproductive Area pursuant to the requirements of the Forest Practices Code. This is a legal obligation and the Group must complete the regeneration activity in accordance with contemporary forestry standards. There is no indication as to whether any Unproductive land will be handed back to the Group. An estimate of the financial effect is impractical having considered the uncertainties relating to the amount and timing of any outflow.

G3 Parent entity information

Accounting policy

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements except as set out below. See note 1 for a summary of the significant accounting policies relating to the Group.

Investments in subsidiaries are accounted for at cost. Dividends received from subsidiaries are recognised in profit or loss when a right to receive the dividend is established provided that it is probable that the economic benefits will flow to the Parent entity and the amount of income can be measured reliably.

Section G: Other Disclosures (continued)

G3 Parent entity information (continued)

Information relating to Sustainable Timber Tasmania:

	2022 \$'000	2021 \$'000
Statement of Comprehensive Income		
Revenue	131,643	126,962
Expenses	(116,880)	(122,950)
Net profit/(loss) before tax	14,763	4,012
Income tax (expense)/benefit	(3,379)	(1,203)
Net profit/(loss)	11,384	2,809
Other comprehensive income	6,541	1,169
Total comprehensive income	17,925	3,978
Statement of financial position		
Current assets	62,865	57,208
Non current assets	221,908	209,993
Total assets	284,773	267,201
Current liabilities	21,779	18,230
Non current liabilities	68,038	70,553
Total liabilities	89,817	88,783
Net Assets/(Liabilities)	194,956	178,418
Equity		
Issued capital	381,518	381,518
Retained earnings	(192,012)	(207,887)
Reserves:		
– Asset revaluation	5,448	4,787
Total equity	194,954	178,418

The parent entity has not guaranteed any debts of the controlled entities and does not have any capital expenditure commitments or contingent liabilities.

The Organisation and its wholly-owned Australian resident entities are members of a tax-consolidated group under Australian tax law. The Organisation is the head entity within the tax-consolidated group. In addition to its own current and deferred tax amounts, the Organisation also recognises the current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group.

Amounts payable or receivable under the tax-funding arrangement between the Organisation and the entities in the tax consolidated group are determined using a 'separate taxpayer within group' approach to determine the tax contribution amounts payable or receivable by each member of the tax-consolidated Group. This approach results in the tax effect of transactions being recognised in the legal entity where that transaction occurred, and does not tax effect transactions that have no tax consequences to the Group. The same basis is used for tax allocation within the tax-consolidated group.

G4 Controlled entities

The controlled entities within the Group comprise:

	Percentage of Shares	
	2022	2021
Parent: Forestry Tasmania		
Newood Holdings Pty Limited (ACN: 103 220 426)	100%	100%
Parent: Newood Holdings Pty Ltd (ACN: 103 220 426)		
Newood Huon Pty Limited (ACN: 103 219 861)	100%	100%
Newood Smithton Pty Limited (ACN: 103 219 843)	100%	100%
Newood Energy Pty Limited (ACN: 129 980 061)	100%	100%

Each entity is domiciled and incorporated in Australia and is located at Level 1, 99 Bathurst Street, Hobart Tasmania. The principal activities of each entity include the management operation of the sites and necessary infrastructure required for the Huon Wood Centre and Smithton Wood Centre and to undertake Sustainable Timber Tasmania's business development activities.

The controlled entities are members of the tax-consolidated group. Sustainable Timber Tasmania is the head entity within the tax-consolidated group. The controlled entities have entered into a deed of cross guarantee with Sustainable Timber Tasmania pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785* and are relieved from the requirement to prepare and lodge an audited financial report.

Section G: Other Disclosures (continued)

G4 Controlled entities (continued)

Information related to Newwood Holdings Pty Ltd:

	2022 \$'000	2021 \$'000
Statement of Comprehensive Income		
Revenue	701	454
Expenses	(740)	(595)
Net profit/(loss) before tax	(39)	(141)
Income tax (expense)/benefit	12	42
Net profit/(loss)	(27)	(99)
Other comprehensive income		
Total comprehensive income	(27)	(99)
Statement of Financial position		
Current assets	8,270	7,936
Non current assets	1,241	1,254
Total assets	9,511	9,190
Current liabilities	11	1
Non current liabilities	8,744	8,405
Total liabilities	8,755	8,406
Net Assets/(Liabilities)	757	784

Related party information:

	Sales to related parties		Purchases from related parties		Amounts owed by related parties		Amounts owed to related parties	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Parent								
Newwood Holdings Pty Ltd	-	-	12	12	8,756	8,394	-	-

G5 Auditors' remuneration

	2022 \$'000	2021 \$'000
Amounts paid and payable to the Tasmanian Audit Office for auditing the financial statements of the Organisation.	119	122
Amounts paid and payable to other service providers for internal and other regulatory audit services	88	156
	207	278

G6 Events subsequent to balance date

2022

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

G7 Operating segments

The Group does not have any reportable operating segments that meet the definition of AASB 8 *Operating segments*.

Revenues from major products and services

The Group's revenues from its major products and services is disclosed in note B1(a).

Geographical information

The Group's revenue from external customers by geographical location are detailed below:

	2022 \$'000	2021 \$'000
Revenue		
Australia	132,335	127,362
Other countries	-	-
Total revenue	132,335	127,362

All non-current assets are located within Australia.

Information about major customers

Included in revenues arising from the sale of forest products, lease agreements, licences and other forest management services and the performance of community service obligations are revenues of \$18,084,000 (2021: \$14,582,000) which arose from the sale of forest products to the Group's largest customer, \$12,502,000 (2021: \$40,924,000) from the sale of forest products to the Group's second largest customer, \$12,000,000 (2021: \$12,000,000) for the performance of Community Service Obligations to the Group's third largest customer and \$11,920,000 (2021: \$7,025,000) from the sale of forest products to the Group's fourth largest customer.

No other single customers contributed 10 per cent or more to the Group's revenue in either 2022 or 2021.



Section G: Other Disclosures (continued)

G8 Other accounting policies

Accounting policy

Goods and services tax

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

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

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

Impairment of assets

Non-financial assets

The carrying amounts of the 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.

Financial assets

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

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

Foreign currency transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the date of the transactions.

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

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

Reserves

Property revaluation reserve – the Group'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.

Section H: Certification of financial statements

Sustainable Timber Tasmania

For the year ended 30 June 2022

It is the opinion of the directors of Sustainable Timber Tasmania:

- a) the financial statements and notes of the Group are in accordance with the *Government Business Enterprises Act 1995*, including:
 - i. giving a true and fair view of the results and cash flows for the financial year ended 30 June 2022 and the financial position as at 30 June 2022; and
 - ii. complying with Australian Accounting Standards and Interpretations and with the Treasurer's Instructions.
- b) there are reasonable grounds to believe that Sustainable Timber Tasmania will be able to pay its debts as and when they fall due.

This declaration has been made after receiving the following declaration from the Chief Executive Officer and the General Manager Corporate Services of Sustainable Timber Tasmania:

- a) the financial records of Sustainable Timber Tasmania for the financial year ended 30 June 2022 have been properly maintained in accordance with Section 52 of the *Government Business Enterprises Act 1995*;
- b) the financial statements and notes for the financial year ended 30 June 2022 have been prepared in accordance with Section 52 of the *Government Business Enterprises Act 1995*; and
- c) the financial statements and notes for the financial year ended 30 June 2022 give a true and fair view.

Signed in accordance with a resolution of the directors.



Rob de Fégely AM
Chair
5 August 2022



Kathryn Westwood
Director
5 August 2022



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**Independent Auditor's Report
To the Members of Parliament
Forestry Tasmania
Report on the Audit of the Financial Report**

Opinion

I have audited the financial report of Forestry Tasmania, trading as Sustainable Timber Tasmania (STT), and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the statement of certification by the directors.

In my opinion, the accompanying financial report is in accordance with the *Government Business Enterprises Act 1995*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance and its cash flows for the year then ended; and
- (b) complying with Australian Accounting Standards.

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

I confirm that the independence declaration provided to the directors of STT on 5 August 2022, would be in the same terms if provided to the directors at the time of this auditor's report.

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

Independent Auditor's Report

Sustainable Timber Tasmania
and its subsidiaries

For the year ended 30 June 2022

Independent Auditor's Report (continued)

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
Forest estate – Valuation of biological assets Refer to note C1	
<p>STT relied upon the work of an independent valuation expert to value forest estate at \$199.50 million as at 30 June 2022. The forest state comprised current and non-current standing timber of \$10.90 million and \$168.75 million, respectively, roads and road structures of \$10.62 million and a re-establishment make good asset for harvest coupes of \$9.24 million.</p> <p>The valuation methodology applied to value the forest estate involves an income capitalisation approach using a discounted cash flow model which estimates the net annual income derived from the existing native forest, hardwood plantation and softwood planation tree crops. A market derived discount rate is applied to discount the annual net incomes to arrive at a present value for the existing forest estate.</p> <p>The calculation is complex and subject to numerous assumptions. Changes in market conditions, discount rate and key assumptions are inherently subjective and significantly impact the value of the forest estate.</p>	<ul style="list-style-type: none"> • Assessing the scope of work, expertise, and independence of the expert engaged by STT to value the forest estate. • Reviewing the validity of the valuation method used, including its compliance with the accounting framework, specifically <i>AASB 141 Agriculture</i>. • Reviewing the basis of the underlying assumptions used. • Validating the accuracy of data, including prices, volumes and costs provided by STT to the valuation expert. • Evaluating management's and the Directors' review and adoption of the valuation. • Verifying the accounting treatment for changes in the value of biological assets and assessing the adequacy of relevant disclosures in the financial report.

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
Defined benefit superannuation obligations Refer to note E1, E2, E3 and E4	
<p>STT has employees who are members of a defined benefit superannuation scheme. STT's obligation under the scheme, less the fair value of plan assets, is recognised in the statement of financial position and is valued at \$22.85 million at 30 June 2022.</p> <p>The value of the unfunded superannuation liability and movements recognised in the financial statements are based on an annual independent valuation. This valuation is complex and is based upon a number of assumptions and the use of discount rates, all of which are subjective.</p>	<ul style="list-style-type: none"> • Assessing the competence and independence of the actuary who performed the valuation. • Evaluating the completeness and accuracy of information provided by STT to the actuary. • Evaluating the appropriateness of the valuation methodology applied to determine the value of the obligation, including the assumptions used. • Verifying the accounting treatment for changes in the value of the liability. • Assessing the adequacy of relevant disclosures in the financial report.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in STT's Directors' Report for the year ended 30 June 2022, but does not include the financial report and my auditor's report thereon.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.



Independent Auditor's Report (continued)

Responsibilities of the Directors for the Financial Report

The Directors of STT are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and the *Government Business Enterprises Act 1995* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion.

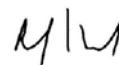
My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the Group audit. I remain solely responsible for my audit opinion.

I communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Rod Whitehead
Auditor-General
Tasmanian Audit Office

15 August 2022
Hobart

INFORMATION TABLES

TABLE 1: Emissions

Direct and indirect greenhouse gas emissions from Sustainable Timber Tasmania

Scope	Description	Unit	Tonnes
Scope 1	Direct emissions from owned or controlled sources (petrol and diesel)	Carbon dioxide equivalents	1,104
Diesel		(tonnes)	167
Total			1,271

TABLE 2: Forest Practices

All forest operations must be carried out according to a Forest Practices Plan. These plans are independently audited by the Forest Practices Authority (FPA).

Forest Practices system requirements	Result
Submitted the Three Year Wood Production Plan to FPA and made publicly available	Achieved
Forest Practices Plan reporting compliance	100%
Forest Practices Plans audited by FPA	11
<ul style="list-style-type: none"> Number of individual questions 	600
<ul style="list-style-type: none"> % individual questions which achieved highest possible rating 	95%

TABLE 3: Stakeholder Engagement Activity

Stakeholder Groups	Events in 2021/22	Number of Stakeholders
Environmental	36	37
Community	36	37
Neighbours	50	53
Business	20	20
Tourism	13	15
Commercial users	10	11
Aboriginal	8	8
Recreational	8	8
Other	30	33
Total	211	219

The Stakeholder Engagement Activity table does not include engagement with customers, contractors or regulatory bodies.

TABLE 4: Education, Research and Community Funding

Contributions to forest education	Amount
Forest Education Foundation	\$316,000
Research funding	
University of Tasmania	\$15,000
University of Sunshine Coast	\$45,000
Tree Breeding Australia	\$7,500
Gottstein Trust	\$2,000
Australasian Fire and Emergency Services Authority Council	\$1,000
Community sponsorship	
Tasmanian Forests and Forest Products Network	\$20,000
Forestry Australia	\$2,070
Tasmanian Symphony Orchestra	\$12,500
National Tree Day (seedlings)	\$327
Australian Forest Products Association	\$5,000
Total	\$431,397

Note: Figures are GST exclusive

TABLE 5: Buy Local and Payment of Accounts

Buy local	
Proportion of total purchases from Tasmanian businesses	98%
Value of purchases from Tasmanian businesses (\$ millions)	\$105.8
Number of Tasmanian businesses paid	647
Payment of Accounts	
Creditor days	11
Number of accounts due for payment	7,789
Number of accounts paid on time	5,945
Amount due for payment (\$ millions)	\$132.7
Amount paid on time (\$ millions)	\$123
Number of payments of interest on overdue accounts	-
Interest paid on overdue accounts	-

TABLE 6: Overseas Travel

Overseas travel	2021/22
Number of overseas trips by Directors or employees	0
Total cost of overseas trips (\$)	-

TABLE 7: Superannuation

Superannuation certification
Sustainable Timber Tasmania complied with its obligation under the <i>Superannuation Guarantee (administration) Act 1992</i> in respect of employees of Sustainable Timber Tasmania who are members of complying superannuation schemes.

TABLE 8: Consultancies

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

Name	Location	Description	Amount
KPMG	TAS	Cyber Security	\$248,373
Total			\$248,373

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

Number	Total
13	\$168,638

TABLE 9: Information Disclosures

Right to Information Disclosures	Number
Applications for assessed disclosure received	9
Applications for assessed disclosure refused*	3
Applications for assessed disclosure relating to exempt information in full or part. Exempt information provisions: Section 27 (1); Section 35 (1); Section 36 (4)	1
Applications reviewed internally and the outcomes of the reviews: upheld in full (1) upheld in part (0)	2

TABLE 9: Information Disclosures (continued)

Public Interest Disclosures	Number
Public interest disclosures	-
Assessed disclosures	-
Active disclosures	-
Required disclosures	-
Routine disclosures	-
Public interest disclosures investigated by Sustainable Timber Tasmania	-
Disclosed matter referred to Sustainable Timber Tasmania by the Ombudsman	-
Disclosed matters referred to the Ombudsman	-
Disclosed matters taken over by the Ombudsman	-
Disclosed matters that Sustainable Timber Tasmania decided not to investigate	-
Disclosed matters substantiated on investigation and action taken	-
Recommendations of the Ombudsman under this Act that relate to Sustainable Timber Tasmania	-

*Refused refers to applications Sustainable Timber Tasmania informed the applicant it intended to refuse unless the scope of the request was refined. In all instances, the applicant did not refine the scope.

TABLE 10: Community Service Obligations

Sustainable Timber Tasmania performs a range of community service obligations for the benefit of the wider community.

Community Service Obligation	Government Revenue for Services (\$ millions)
Permanent Timber Production Zone land continues to be managed, accessible and available for multiple uses	8
Contributing to statewide fuel reduction burning and fire management	2
Provide assistance with state fire management in the prevention, preparation and detection of bushfires; supervising and conducting bushfire suppression on non-production forest and adjoining lands	2
Total	12

SNAPSHOT

	2020/21	2021/22
Forest estate ('000 hectares)		
Permanent Timber Production Zone land	812	812
Land available for wood production	471	468
Other areas of native forest ¹	214	216
Managed for reservation ²	127	127
Public land managed by Sustainable Timber Tasmania ³	8	8
Private land managed by Sustainable Timber Tasmania ⁴	1	1
Total Sustainable Timber Tasmania managed land	821	821
Forest types ('000 hectares)		
Native forest	711	711
Hardwood plantation ⁵	53	53
Softwood plantation ⁵	54	54
Area harvested in financial year		
Native forest - selective harvesting (hectares)	3,700	5,222
Native forest - clearfell harvesting (hectares)	1,320	1,517
Hardwood plantation (hectares)	966	879
Regrowing forest		
Native forest treated for regeneration (hectares)	4,656	6,391

	2020/21	2021/22
Wood production		
Total production (cubic metres and tonnes)	1,579,219	1,390,447
High quality sawlog (cubic metres)	115,375	115,869
Native forest sawlog Cat. 2 & 8 (cubic metres)	33,068	43,476
Native forest posts, poles & piles (units)	3,327	4,841
Native forest high grade domestic peeler logs (tonnes)	32,356	44,039
Native forest export peeler logs	74,425	51,919
Native forest pulpwood (tonnes)	875,266	668,447
Firewood (cubic metres)	21,105	11,637
Other products (e.g. bark, sawdust) (tonnes)	3,526	25,406
Special species timber and craftwood (cubic metres)	8,825	14,070
Hardwood plantation (solid wood and pulpwood) (tonnes)	196,351	187,587
Softwood plantation (sawlog and pulpwood) (tonnes)	215,595	223,254
Fire management services		
Number of bushfires attended	24	25
PTPZ land burnt by bushfires (hectares)	817	1,694
Hours devoted to firefighting	1,294	8,362
Net cost of suppression (\$'000)	(700)	884
Fuel reduction burns completed on PTPZ land (hectares)	3,596	5,470
Access to the forest		
New roads constructed (kilometres)	41.3	36.4
Roads maintained (kilometres)	2,840	3,296

	2020/21	2021/22
Finance – Comprehensive Income (\$'000)		
Revenue		
Revenue from sale of forest products	101,984	94,601
Government funding	12,000	12,050
Other income	10,931	13,770
Finance income	307	388
Forest valuation increase	2,140	11,526
Total revenue	127,362	132,335
Expenses		
Expenses from operations	(121,854)	(116,100)
Finance expense	(1,635)	(1,512)
Total expenses	(123,489)	(117,612)
Net profit/(loss) before tax	3,873	14,723
Income tax (expense)/benefit on net profit/loss	(1,162)	(3,650)
Net profit/(loss) after tax	2,711	11,073
Other comprehensive income	1,169	6,528
Total comprehensive income	3,880	17,601
Finance – Financial Position (\$'000)		
Borrowings (net of cash)	-	-
Net Assets	179,170	195,679

	2020/21	2021/22
Finance – Cash Flow (\$'000)		
Operating cash flows	1,434	4,676
Investing cash flows	6,064	1,527
Employment		
Number of employees (head count)	162	168
Number of employees (full time equivalents)	156	159
Lost time injury frequency rate (employees)	10.9	0
Tasmanian business		
Payments to Tasmanian businesses (\$ million)	115	105
Number of Tasmanian businesses paid	673	647

NOTES:

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



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