

Half Year Report 2023-24



Acknowledgement of Country

Forestry Corporation of NSW acknowledges the traditional custodians of the land on which we live and work, and pay our respects to Elders past, present and future.

We recognise the connection to their land, their waters and surrounding communities and acknowledge their history here on this land.

We also acknowledge our Aboriginal and Torres Strait Islander employees who are an integral part of our diverse workforce and recognise the knowledge embedded forever in Aboriginal and Torres Strait Islander custodianship of Country and culture.

Forestry Corporation Half Year Report
2023-24

Written and compiled by Forestry
Corporation of NSW

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However, because of advances in
knowledge, users are reminded of the need
to ensure that information upon which they
rely is up to date and to check currency of
the information with the appropriate officer
of Forestry Corporation of NSW or the
user's independent adviser.

Compliance statement

1



In accordance with section 23 of the *State-Owned Corporations Act 1989* (SOC Act), this Half Year Report is submitted on behalf of Forestry Corporation of NSW's (Forestry Corporation) Board of Directors for tabling in the NSW Parliament.

Forestry Corporation's Half Year Report for the six months to 31 December 2023 contains:

- information on Forestry Corporation's strategic direction
- an overview of core functions and objectives
- a review of business operations and performance against the Statement of Corporate Intent (SCI). The SCI was developed to meet the relevant obligations under the SOC Act and other NSW Government policies.
- financial statements.

Stefanie Loader
Chair

Anshul Chaudhary
Chief Executive Officer

Date: 6 February, 2024



Strategic direction

2

Forestry Corporation's Care, Connect and Grow strategy commenced in FY23. Our strategic goal is to be recognised as a valued forest manager and grow the business in all areas. Our three-year strategy sets out key focus areas that align with the Care, Connect and Grow pillars. Current strategic priorities include to:

- halve the number of injuries and eliminate serious injuries by 2025
- reposition the business so the community recognises our delivery of balanced and sustainable outcomes for all
- grow the value of the hardwood and softwood estates.

These are supported by our enabling strategies of:

- build an agile workforce
- secure and simplify our systems
- embed good governance.

Functions and objectives

3

3.1 About Forestry Corporation of NSW

Forestry Corporation of NSW sustainably grows and manages the ultimate renewable resource – our State forests. State forests both contribute to and complement NSW’s conservation estate, delivering a range of benefits to communities, from access for tourism and recreation to protection of cultural heritage, fire protection and renewable timber production.

We manage around two million hectares of multiple-use public native forests, including coastal native forests, cypress forests and red gum forests, approximately 225,000 hectares of softwood timber plantations in the central west, south and north of NSW and just under 35,000 hectares of hardwood timber plantations in north east NSW.

Timber is the most renewable building product available, storing carbon for the life of products, using less energy than other alternatives and continually regrowing, and we are expanding our investment in a renewable future by exploring new opportunities for renewable energy production across the estate.



NSW is a net importer of timber, and the renewable hardwood and softwood timber products we produce play a critical role in meeting the community's increasing demand for timber and wood products. Our forest management is independently certified to the Australian Standard for Sustainable Forest Management Responsible Wood, and our operations underpin a vital and vibrant renewable timber industry in regional NSW.

As a statutory firefighting authority, we play a key role in preventing and managing fires and protecting communities as part of the State's coordinated firefighting response. We employ a highly trained and skilled firefighting workforce and carry out annual hazard reduction, training and maintenance programs. We also maintain a firefighting fleet, equipment and heavy plant as well as a network of fire trails and fire towers to aid rapid detection and early suppression of fires in State forests.

Our purpose is to **Care, Connect** and **Grow** for a better future. We value innovation, integrity and the wellbeing of our people and communities, with respect for country, community, customers, suppliers and one another at the forefront of all that we do.

3.2 Statutory objectives and functions

Under the objectives set out in the *Forestry Act 2012*, Forestry Corporation has the following objectives which are of equal importance:

- to be a successful business and, to this end:
 - » to operate at least as efficiently as any comparable businesses, and
 - » to maximise the net worth of the State's investment in the Corporation
- to have regard to the interests of the community in which it operates
- where its activities affect the environment, to conduct its operations in compliance with the principles of ecologically sustainable development contained in section 6 (2) of the *Protection of the Environment Administration Act 1991*
- to contribute towards regional development and decentralisation
- to be an efficient and environmentally sustainable supplier of timber from Crown land and land owned by it or otherwise under its control or management.





The Forestry Act further sets out Forestry Corporation's functions as follows:

- to carry out or authorise the carrying out of forestry operations in accordance with good forestry practice on Crown-timber land or land owned by the Corporation
- to take or authorise the taking of forest materials from State forests or land owned by the Corporation
- to sell, supply or process timber, forest products or forest materials
- to establish and maintain plantations
- to control and manage forestry areas
- subject to the *Rural Fires Act 1997*, to carry out measures on Crown-timber land for the protection from fire of timber and forest products on that land
- to grant forestry rights in respect of State forests, timber reserves or land owned by it, including any such right that is for the benefit of the Corporation
- to acquire, hold, sell or otherwise deal with or trade in carbon sequestration rights (including for the benefit of other persons).

Forestry Corporation is the appointed land manager for State forests, and the Forestry Act sets out the following land management objectives:

- to facilitate public access to the forestry area
- to promote the recreational use of the forestry area
- to conserve fauna (other than feral animals) living in the forestry area.

3.3 Statement of Corporate Intent

Each year, a Statement of Corporate Intent (SCI) is agreed with shareholders. The SCI sets out Forestry Corporation's strategic priorities for the year ahead. The SCI includes financial targets as well as key performance indicators (KPIs) for safety and environmental compliance.

The SCI is published on the Forestry Corporation website. See section 4 for a summary of progress against the financial targets and non-financial KPIs for the half-year to 31 December 2023.

3.4 Statement of Expectations

The NSW Government issued Forestry Corporation a Statement of Expectations issued in February 2022. Forestry Corporation is working with the Government to reevaluate its Statement of Expectations, which will include reviewing Forestry Corporation's priorities to ensure they continue to align with the Government's objectives.

A Statement of Expectations Action Plan is included in the Statement of Corporate Intent for 2023-24, which is published on the Forestry Corporation website.



Review of operations

4

Timber production and financial results below expectations

Timber production was lower than budget expectations, mainly in the Hardwood Forests Division. This was mainly due to significant flooding in western NSW, particularly in the River Red Gum forests. Legal and regulatory issues in coastal native forests have also led to disruptions in production. Fires were experienced in various areas of the estate with increased firefighting expenses in the first half following several years of mild fire conditions.

Section 4.1 summarises financial performance during the first half and the half-year financial statements are in section 5.

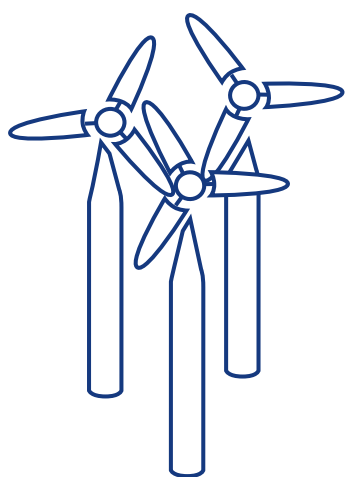
Legal and regulatory matters continue to pose challenges

Stop work orders were issued by the environmental regulator for some hardwood operations in southern NSW and voluntary stand downs were implemented in several locations. An application for injunction made by an environment group in relation to the approval of operations in Myrtle and Braemar State Forests has been resolved. The application was made on the basis that the harvest plans were alleged not to have considered ecologically

sustainable forest management. All grounds of the challenge were dismissed by the court. Operations remain paused in other locations subject to applications for injunction to allow the court to hear the applications.

Just after the end of the reporting period, the Federal Court delivered its judgement in a legal case involving the Australian and NSW Governments which had questioned the validity of the North East Regional Forest Agreement, under which native forestry operations are managed and regulated. The court dismissed the application, providing certainty to the industry about the legitimacy of the regulatory framework for native forestry in NSW.

Section 4.3 summarises key environmental compliance and regulatory matters during the first half.



Market process for potential renewable energy projects nears completion

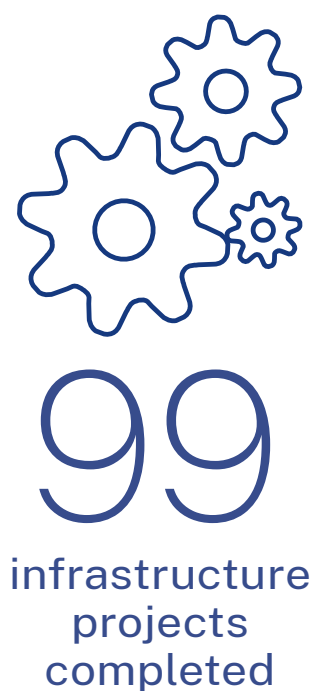
The potential for new renewable energy projects to be established in Forestry Corporation's softwood plantations is moving closer to reality. The final phase of a three-stage market process, the assessment of formal proposals, was carried out during the first half of the financial year, with permits expected to be issued in four locations during the second half of the year. The permits will allow proponents to carry out detailed feasibility studies, consultation and planning, and commence the formal state development application and consent process for potential projects. Forestry Corporation will work with the proponents to engage with the local communities on potential projects during the second half.



Major new land purchases to underpin plantation expansion

During the first half of the year approximately 6,500 hectares of land was purchased in areas near existing softwood plantations in the Central West and South West Slopes to enable expansion of the timber plantation estate. The land included areas of existing plantations as well as land suitable for plantation establishment, with a total of \$92 million invested. The land purchases have reduced cash reserves and are an important investment in expanding the timber plantation estate in NSW.

The newly-acquired land will also provide suitable replacement land for potential renewable energy projects. The legislation requires each hectare of impacted land to be replaced by two hectares of suitable land for plantations, providing a win-win by increasing both renewable energy and renewable timber production in NSW.



New areas protected for koala habitat

The NSW Government has committed to establishing a Great Koala National Park on the north coast, following an assessment and consultation process that includes assessing up to 171,000 hectares of State forest for potential inclusion in the park area. During the first half of the year the Government announced it would immediately cease timber harvesting in identified koala hubs within the State forests being considered as part of the park, and Forestry Corporation has implemented this decision.

Continued investments in assets and infrastructure

Forestry Corporation continues to make substantial investments in assets and infrastructure to protect and support forests and communities.

Investments continue in the renewal of firefighting fleet, upgrades to strategic fire trails and implementation of the public safety network and fireground radios. Forestry Corporation continues to work collaboratively with the NSW Rural Fire Service and as a member of local Bush Fire Management Committees to review and address fire risk across the landscape, including through next generation bush fire risk management plans.

The three-year forest infrastructure repair program to repair forest road and bridge infrastructure used in fire fighting, for community access and in forest operations also continues, with 99 projects completed under the program to date, with a value of almost \$27 million.

Work has also continued on several major new community recreation facilities in State forests across the state, with the Gulabaa – Place of Koala in Cowarra State Forest near Port Macquarie expected to be completed in the second half incorporating the world's first wild koala breeding facility.

People and safety at the fore

Forestry Corporation supports a skilled, diverse and engaged workforce, providing ongoing opportunities for professional development and robust policies and procedures to maintain a safe work environment. In the first half of the year, Forestry Corporation continued to implement its suite of policies and procedures to prevent sexual harassment in the workplace, with mandatory *Respect @ Work* program for all staff. The Enterprise Agreement, which sets the conditions of employment for the majority of staff, is being reviewed in collaboration with staff and unions and is expected to be updated by the end of the financial year.

Forestry Corporation is committed to ensuring everybody goes home safe every day. Safety is covered in more detail in section 4.2.



4.1 Financial performance

Year to date

Total comprehensive loss for the half year to 31 December 2023 was (\$0.3) million. Normalised earnings (Earnings before interest and tax, or EBIT) were a loss of (\$4.6) million, \$8.6 million below the 2023-24 Statement of Corporate Intent (SCI) target of \$4.0 million.

Overall, Forestry Corporation's revenue from operations for the first half of the 2023-24 financial year was \$208.6 million. Revenue was unfavourable to the SCI target by (\$2.9) million, due to a combination of factors including flooding in the western part of NSW affecting production and a drop in timber volume demand for some softwood products, partly offset by favourable softwood prices driven by product mix. Expenses were unfavourable to budget with impacts from both the softwoods and hardwoods divisions.

Softwood Plantations Division

At a divisional level, the Softwood Plantations Division posted normalised earnings of \$5.6 million, which was \$2.8 million below budget target. Timber revenue is ahead of budget after better than expected domestic sawlog demand. However, the revenue gains were surpassed by higher operating expenses, mainly in fire fighting costs, and increased harvest and haul costs commensurate with higher sales. Timing of the renewable energy revenue has also contributed to the budget variance. Replanting and roading costs were also higher, reflecting operational works brought forward to take advantage of favourable weather conditions.

Hardwood Forests Division

The Hardwood Forests Division posted a normalised earnings loss of (\$10.2) million, which was \$5.9 million below target. Most of this is attributable to lower revenues being \$6.5 million below budget, primarily due to lower timber sales (down by \$3.6m), mainly due to unfavourable weather preventing access to production sites, particularly in western NSW and disruptions to production in coastal forests resulting from regulatory and legal actions. Stop work orders and injunctions have impacted on legal costs and stand down payments.

Balance sheet

Forestry Corporation's balance sheet is in a net asset position of \$1.48 billion for the half year. The total net asset position is similar to the balance as at 30 June 2023. The major asset categories comprise property, plant and equipment and biological assets and are subject to a revaluation review at the end of the year. In the first half current assets have decreased; in particular cash on hand has reduced by \$116.2 million due to asset acquisitions (softwood plantations expansion) and dividend payment of \$13.4 million. This has resulted in low cash on hand currently and the corporation has access to sufficient liquidity through Treasury arrangements.

Full year outlook

The full year SCI target is \$7.9 million. Following the unfavourable result for the first half, and the headwinds in the second half around ongoing legal and regulatory issues, it is unlikely at this stage that the Corporation will meet its full year target.

The successful progress of the renewable energy projects, normalised weather, improved fire conditions and cost control initiatives across the organisation will help to support a more positive result for the second half of this financial year.



4.2 Safety

Safety is at the core of our values of ensuring our people are going home safe every day. Our goal is to halve the number of injuries and eliminate serious injuries by 2025.

We have expanded our successful musculoskeletal injury prevention program, which features on-site occupational physiotherapists to encourage early intervention and risk assessments for manual tasks.

To support the mental health of our workforce, we have introduced a series of initiatives to promote mental health and wellbeing. More than 100 staff members have completed Mental Health First Aid training, equipping and pre-season fire days now also include sessions led by a psychology professional.

The Corporation is implementing a formal Critical Risk program, targeting controls essential for preventing and mitigating incidents associated with eight identified critical risks. Heavy vehicles are one of these critical risks, and a comprehensive program of work is delivering improvements in heavy vehicle safety across the chain of responsibility, with reviews and improved controls increasing compliance substantially over the past 12 months. Further work is expected to drive ongoing improvements.

At 31 December 2023, the Lost Time Injury Frequency Rate (measured as number of lost time injuries per one million hours worked) was 13.3 (FY23 9.6). The Total Recordable Injury Frequency Rate (measured as number of recordable injuries per one million hours worked) was 17.6 (FY24 18.2). Results indicate a reduction in employee injury frequency rates overall (both LTIFR and TRIFR), driven largely by a reduction in body stressing injuries, however contractor injury frequency rates and psychological injury claims have increased. The Corporation remains committed to implementing appropriate actions striving to the 2025 goal.

4.3 Environmental compliance

The SCI establishes forest management and environmental performance as a key non-financial performance measure, with the objective to achieve zero non-compliances with environmental regulations. The Environment Protection Authority (EPA) regulate native forestry operations.

Forestry Corporation's operations are independently regulated, with ongoing external audit and oversight. Each operating division also maintains independent certification to the internationally-recognised Australian Standard for Sustainable Forest Management, Responsible Wood (AS 4708).

Forestry Corporation continues to invest in improving our environmental compliance outcomes by building and maturing its centralised compliance program, reviewing and updating procedures, and installing enhanced technology to support field operations.

During the six months to 31 December 2023, Forestry Corporation received one penalty infringement notice from the EPA related to management of East Lynne Midge-orchid records in Shallow Crossing State Forest. Forestry Corporation continues to engage with the regulator about this requirement.

Stop Work Orders were issued by the EPA for forestry operations in Tallaganda and Flat Rock State Forest relating to the identification and protection of Southern Greater Glider dens. The ruleset governing native forestry in NSW, the Coastal Integrated Forestry Operations Approval (CIFOA) outlines the protections for threatened species at a landscape level, which have been



implemented for the past five years. After receiving stop work orders in two south coast forests related to searching for Southern Greater Glider dens, Forestry Corporation has been working with the regulator to understand the new desired survey requirements and has also commenced trialling new methods to address the changed expectations, including using thermal drones, while working with EPA to enhance protections for the Southern Greater Gliders.

Court proceedings on two matters from earlier years remain underway, relating to operations in Yambulla and Wild Cattle Creek State Forests in 2020, while a penalty notice related to operations in Mogo State Forest in 2020 that Forestry Corporation elected to have heard by the court was resolved, with the court upholding the notice.

Forestry Corporation also entered into a \$500,000 enforceable undertaking with the EPA after 17 trees were harvested from Riparian Exclusion Zones in the Cooperhooke State Forest in December 2021. Forestry Corporation self-reported the issue and worked collaboratively with the EPA to identify investments that will deliver tangible environmental and community benefits to compensate for the impacts of the operation. The undertaking will deliver four key projects over 18 months, including an in-cab technology trial, website improvements, establishment and maintenance of frog breeding sites and building new community facilities.

4.4 Performance against key performance indicators

The table below summarises performance against the targets set out in the SCI for the six months to 31 December 2023.

Half Yearly KPIs

| Key Performance Indicators | Actual Half Year | SCI Target Half Year | Variance Favourable/ (Unfavourable) |
|--|------------------|----------------------|-------------------------------------|
| Safety Lost Time Injury Frequency (rate)* | 13.3 | 6.2 | (7.1) |
| Safety Total Recordable Injury Frequency (rate)* | 17.6 | 11.7 | (5.9) |
| Environmental Non-Conformances** | 1 | 0 | (1.0) |
| Revenue (\$m) | 208.6 | 211.5 | (2.9) |
| Normalised Earnings (\$m)*** | (4.6) | 4.0 | (8.6) |
| Debt Level (\$m) | 50.4 | 50.5 | 0.1 |
| Financial Ratios | | | |
| Normalised Earnings Margin (%) | -2.2% | 1.9% | -4.1% |
| Return on Equity (%) | -0.31% | 0.27% | -0.6% |
| Interest Cover (times) | (4.7) | 2.3 | (6.9) |

* Measured as the number of injuries per one million hours worked

** Measures the number of fines and convictions

*** Excludes significant items such as revaluation and impairment, interest expenses, income tax, and half year nominal inventory adjustment

Financial statements

5

5.1 Statement of profit or loss and other comprehensive income

For the half year ended 31 December 2023

| | Unaudited 31 Dec 23 \$'000 | Unaudited 31 Dec 22 \$'000 |
|---|----------------------------------|----------------------------------|
| Revenue | | |
| Forest Products | 170,829 | 160,373 |
| Other Income | 37,801 | 27,283 |
| | 208,630 | 187,656 |
| Total revenue | 208,630 | 187,656 |
| Expenses | | |
| Operating expenses | (156,630) | (139,705) |
| Employee benefits expense | (45,059) | (36,939) |
| Depreciation and amortisation expense | (5,791) | (4,809) |
| Net impairment loss of property, plant and equipment | (611) | - |
| Net impairment (loss)/gain on financial and contract assets | (7) | (137) |
| Finance costs | (985) | (1,500) |
| Total expenses | (209,083) | (183,090) |
| Profit/(Loss) before notional income tax benefit/(expense) | (453) | 4,566 |
| Notional income tax benefit/(expense) | 136 | (1,370) |
| Profit/(Loss) after notional income tax benefit/(expense) | (317) | 3,196 |
| Total comprehensive income/(loss) for the half-year | (317) | 3,196 |

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes

5.2 Statement of financial position

As at 31 December 2023

| | Unaudited 31/12/2023 \$'000 | Audited 30/06/2023 \$'000 |
|--------------------------------------|-----------------------------------|---------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 12,176 | 128,418 |
| Trade and other receivables | 48,047 | 52,119 |
| Inventories | 7,749 | 4,934 |
| Biological assets | 50,831 | 50,831 |
| Income tax refund due | 0 | 0 |
| Total current assets | 118,803 | 236,302 |
| Non-current assets | | |
| Property, plant and equipment | 1,468,135 | 1,412,528 |
| Right-of-use assets | 1,840 | 1,671 |
| Biological assets | 592,836 | 575,429 |
| Investment properties | 27,133 | 6,520 |
| Intangible assets | 505 | 507 |
| Total non-current assets | 2,090,449 | 1,996,655 |
| TOTAL ASSETS | 2,209,252 | 2,232,957 |
| LIABILITIES | | |
| Current liabilities | | |
| Trade and other payables | 73,479 | 83,949 |
| Contract liabilities | 11,496 | 11,238 |
| Borrowings | 8,090 | 8,083 |
| Dividend payable | 0 | 13,456 |
| Lease liabilities | 1,124 | 599 |
| Provisions | 32,595 | 31,083 |
| Income tax | 13,217 | 14,191 |
| Total current liabilities | 140,001 | 162,599 |
| Non-current liabilities | | |
| Borrowings | 42,304 | 42,409 |
| Lease liabilities | 3,435 | 4,120 |
| Employee benefits | 3 | 3 |
| Provisions | 1,026 | 1,026 |
| Retirement benefit obligations | 21,743 | 21,743 |
| Deferred tax liability | 522,515 | 522,515 |
| Total non-current liabilities | 591,026 | 591,816 |
| TOTAL LIABILITIES | 731,027 | 754,415 |
| NET ASSETS | 1,478,225 | 1,478,542 |
| EQUITY | | |
| Contributed equity | 491,706 | 491,706 |
| Reserves | 919,363 | 920,613 |
| Retained profits | 67,156 | 66,223 |
| TOTAL EQUITY | 1,478,225 | 1,478,542 |

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

5.3 Statement of changes in equity

For the half year ended 31 December 2023

| | Contributed equity \$'000 | Asset revaluation reserve \$'000 | Deferred tax asset reserve \$'000 | Retained profits \$'000 | Total equity \$'000 |
|--|---------------------------------|---|--|-------------------------------|---------------------------|
| Balance at 1 July 2022 (Audited) | 491,706 | 822,988 | 50,092 | 69,577 | 1,434,363 |
| Profit after notional income tax expense for the half-year | 0 | 0 | 0 | 3,196 | 3,196 |
| Total comprehensive income for the half- year, net of tax | 0 | 0 | 0 | 0 | 0 |
| Transfer of asset revaluation to retained profits | 0 | (838) | 0 | 838 | 0 |
| Dividend | | 0 | 0 | (43) | (43) |
| Balance at 31 Dec 2022 (unaudited) | 491,706 | 822,150 | 50,092 | 73,568 | 1,437,516 |

| | Contributed equity \$'000 | Asset revaluation reserve \$'000 | Deferred tax asset reserve \$'000 | Retained profits \$'000 | Total equity \$'000 |
|--|---------------------------------|---|--|-------------------------------|---------------------------|
| Balance at 1 July 2023 (Audited) | 491,706 | 870,521 | 50,092 | 66,223 | 1,478,542 |
| Profit/(Loss) after notional income tax expense/(benefit) for the half-year | 0 | 0 | 0 | (317) | (317) |
| Balance at 31 Dec 2023 (Unaudited) | 491,706 | 870,521 | 50,092 | 65,906 | 1,478,225 |

5.4 Statement of cash flows

For the half year ended 31 December 2023

| | Unaudited 31-Dec-23 \$'000 | Unaudited 31-Dec-22 \$'000 |
|--|----------------------------------|----------------------------------|
| Cash flows from operating activities | | |
| Receipts from customers (inclusive of GST) | 228,902 | 244,801 |
| Payments to suppliers and employees (inclusive of GST) | (231,393) | (216,769) |
| Interest received | 2,279 | 1,515 |
| Interest and other finance costs paid | (1,429) | (2,064) |
| Income taxes paid (net) | (837) | (4,273) |
| Net cash from/(used in) operating activities | (2,478) | 23,210 |
| Cash flows from investing activities | | |
| Purchase of investment property | (20,193) | - |
| Purchase of Property, Plant and Equipment | (63,658) | (10,611) |
| Purchase of Biological assets | (17,407) | - |
| Proceeds from disposal of property, plant and equipment | 1,687 | 1,583 |
| Net cash used in investing activities | (99,571) | (9,028) |
| Cash flows from financing activities | | |
| Dividends paid | (13,456) | (443) |
| Payment of principal portion of lease liabilities | (737) | (561) |
| Net cash used in financing activities | (14,193) | (1,004) |
| Net increase/(decrease) in cash and cash equivalents | (116,242) | 13,178 |
| Cash and cash equivalents at the beginning of the financial half-year | 128,418 | 100,983 |
| Cash and cash equivalents at the end of the financial half-year | 12,176 | 114,161 |

5.5 Notes to and forming part of the condensed financial statements

1. Basis of preparation

The Half Year Report is a special-purpose financial report for the interim period ended 31 December 2023. This financial report has been prepared in accordance with Australian Accounting Standards, the *Government Sector Finance Act 2018* (GSF Act), GSF Regulations and the *State Owned Corporations Act 1989*.

The financial statements have been prepared in accordance with the accounting policies disclosed in Forestry Corporation's 2023 Annual Report and should be read in conjunction with the Annual Report.

The Half Year Report has been prepared on a going concern basis which assumes Forestry Corporation will be able to pay its debts as and when they fall due and will continue to operate without any intention or necessity to liquidate or otherwise wind up its operations.

Forestry Corporation is classified as a for-profit entity for the purposes of the application of Australian Accounting Standards and after consideration of all factors contained in the New South Wales Treasury Policy TPP05-04 Distinguishing for-Profit from not-for Profit Entities.



2. Unaudited financial statements

The financial statements in this Half Year Report have not been audited or reviewed in accordance with Australian Auditing Standards.

3. Use of estimates and judgements

The preparation of financial statements in conformity with standards set by the Australian Accounting Standards Board (AASB) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

4. Comparative figures

Where the presentation or classification of items in the financial statements is amended, comparative amounts are reclassified unless the reclassification is impracticable.

5. Rounding of amounts

Amounts in the financial statements have been rounded to the nearest thousand dollars.

6. Income tax equivalents

Forestry Corporation is subject to the National Tax Equivalents Regime (NTER) and accordingly is subject to the same taxes as private sector organisations.

The carrying amount of the deferred tax equivalent asset is reviewed at each year-end date and reduced to the extent that it is no longer probable that enough taxable profit will be available to allow all or part of the deferred tax equivalent asset to be utilised.

Tax effect accounting has not been considered in this Half Year Report and will be performed at financial year end. Notional tax expense or benefit is calculated on the resulting profit or loss before tax at a rate of 30 per cent and recognised in the Statement of Comprehensive Income.

7. Property, plant and equipment

Items of property, plant and equipment are initially measured at their cost and are subsequently measured at their fair value in accordance with the NSW Treasury Accounting Policy TPP 21-09, Valuation of Physical Non-Current Assets at Fair Value. Non-current assets are reviewed and assessed periodically at each reporting cycle to assess fair value and impairment. A full comprehensive valuation was carried out as at 30 June 2022 by independent valuers and has been incorporated into the carrying values.

8. Biological assets

Fair value of the biological assets is measured and updated annually at the end of the financial year. Any impact from the revaluation of the biological assets is excluded from Forestry Corporation's normalised earnings.

9. Retirement benefit obligations

Forestry Corporation recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income in accordance with the Treasury Circular 18/10, Accounting for Superannuation. Forestry Corporation has not recalculated the defined benefits in the Half Year Report. The next actuarial assessment will be carried out as at 30 June 2023.

END OF HALF YEAR FINANCIAL STATEMENTS