Forestry Corporation

ANNUAL REPORT 2020–21

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Forestry Corporation Annual Report 2020–21
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LETTER OF SUBMISSION

31 October 2021

The Hon. Matt Kean, MP
Treasurer, and Minister for Energy and Environment
Parliament House
Macquarie Street
Sydney NSW 2000

The Hon. Damien Tudehope, MLC
Minister for Finance and Small Business
Parliament House
Macquarie Street
Sydney NSW 2000

Dear Treasurer and Minister

We are pleased to submit the Annual Report for Forestry Corporation of NSW (Forestry Corporation) for the year ended 30 June 2021 for tabling in Parliament.

The report details the performance, operations and financial results of Forestry Corporation.

The report was prepared in accordance with the *Annual Reports (Statutory Bodies) Act 1984*, the applicable provisions of the *Public Finance and Audit Act 1983*, the *State Owned Corporations Act 1989* and the *Forestry Act 2012*.

Once the report has been tabled in Parliament, it will be available on our website www.forestrycorporation.com.au.

Yours sincerely

James M. Millar AM
Chairman

Anshul Chaudhary
CEO

ABOUT US

Forestry Corporation of NSW has been managing State-owned native and plantation forests for more than a century.

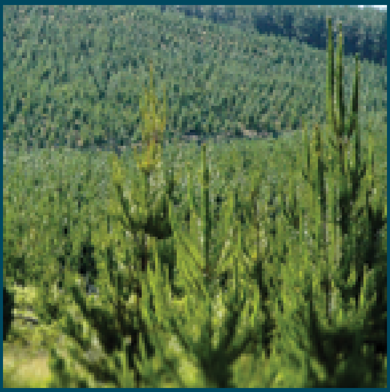
Forestry Corporation is a State Owned Corporation that has been appointed to manage environmental conservation, community access, tourism, fire, land management and renewable timber production across two million hectares of public land on behalf of the NSW Government.

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.

We manage a million hectares of high value forests permanently set aside for conservation, partner with Aboriginal communities to manage and protect cultural heritage, provide community facilities such as free visitor areas and roads, control pests and weeds and facilitate access for primary industries including apiary, grazing and quarrying.

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.

We also sustainably produce renewable hardwood and softwood timber products, meeting the community's demand for timber and wood products and supporting regional employment.



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.

Our purpose is growing sustainably, managing commercially and supporting communities in a changing world. 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.

Sustainable business

When forests are managed well and managed sustainably, they deliver a vast range of benefits for our communities, including places to visit and enjoy, clean waterways, habitat for protected wildlife, biodiversity, carbon storage and, of course, wood products.

The same State forests have been harvested and regrown for more than a century, generating renewable timber products like house framing, flooring, furniture and packaging while preserving forest values and regrowing in perpetuity. Timber is one of the most sustainable building materials available and the Intergovernmental Panel on Climate Change recognises that managing forests for sustainable timber production plays a role in mitigating climate change.

Management of NSW State forests is certified sustainable to the internationally-recognised environmental, social, economic and sustainability criteria of Responsible Wood, the Australian Standard for Sustainable Forest Management (AS4708:2013), which is part of the largest global certification scheme – the Programme for Endorsement of Certification (PEFC) – and Environmental Management System (ISO 14001:2004). These certifications independently verify that our forest management is world-class.

Sustainability is a core principle underpinning our forest management and is built into every aspect of our business, from environmental management to community partnerships, staff wellbeing and profitability. Our sustainability framework sets out our key focus areas and we publish detailed data on our website and in our annual sustainability report each year.

Responsible Wood
RW/1-21-5

PEFC
PEFC/21-23-05

bsi.
ISO 14001 Environmental Management

CHAIRMAN'S MESSAGE

The year ended 30 June 2021 (FY21) was characterised by extraordinary challenges and record-breaking achievements as Forestry Corporation of NSW continued the long road to recovery from the devastating 2019-20 bushfires.

In the first full 12 months since the fires, Forestry Corporation completed its largest ever fire-salvage operation, rebuilt priority infrastructure, reassessed and reset timber supply commitments and embarked on a record-breaking seven-year replanting effort to regrow for the future – all in the shadow of an ongoing global pandemic.

Fire recovery continues to impact financial performance

The fires that impacted half the State forest estate, including a quarter of NSW's State-owned timber plantations, disrupted a long trend of strong and improving financial performance. Financial performance is not expected to recover for several years due to a combination of lower revenue, resulting from a reduction in available wood supply, and higher expenditure on fire recovery and replanting. Total comprehensive income for the year improved to $19 million (FY20: -$214 million). However, the variance was primarily due to the fire impact on the fair value of biological assets, which was booked in the FY20 accounts. For management purposes, underlying performance is measured using normalised earnings. Normalised earnings[1] for FY21 reduced by more than half to $27 million (FY20: $60 million), but exceeded budget expectations by more than 150 per cent due largely to the success of the accelerated harvest program to salvage timber from fire-affected softwood plantations.

Revenue[2], at $396 million (FY20: $428 million) was seven per cent lower than both the previous year and budget expectations. This was predominately due to a reduction in hardwood revenue resulting from reduced operations in fire-affected areas as well as significant wet weather and flooding on the north coast.

Expenses[3] remained consistent with last year, at $368 million (FY20: $368 million). Bushfire recovery accounted for a substantial portion of FY21 expenditure, and included salvage harvesting, increased replanting and significant road and bridge repair works. These expenses have been partially funded by the NSW Government in the form of equity injection, and dividend relief. These investments provided immediate benefits to the many local communities who rely on State forest roads and infrastructure every day and will also underpin the recovery of the State's future timber resource.

Sharpening focus on environmental compliance and safety

Forestry Corporation is appointed to run a successful business that delivers a balance between environmental conservation, community interests, efficient and environmentally responsible timber production and regional development. While financial performance is a key measure of success, effective land management, responsible environmental

[1] Reconciliation of normalised earnings is detailed in the table on page 22.

[2] Revenue includes other income and interest.

[3] Expenses exclude finance costs and a portion of employee benefits expense. The portion of employee benefits expense excluded represents notional defined benefit superannuation expenses.

stewardship and maintaining the safety of our people are also fundamental.

With fires impacting such large areas, the recovery of the forest environment remains a primary consideration. There are many hundreds of robust environmental rules governing forestry operations, and compliance is imperative. External regulation has increased, and this focus is being matched within the business. We have appointed a Senior Compliance Manager, reporting to the newly-established General Manager of Governance and Assurance, and have engaged additional resources on the front line to elevate our focus on environmental compliance at every level of the business.

The significant salvage and infrastructure programs and ongoing global pandemic continued to present new safety challenges, requiring both agility and compassion as we navigated evolving health advice and developed new procedures and systems to keep our people safe and support their wellbeing.

New leadership to drive rebuild

At the end of the financial year, the Board was delighted to formally appoint Anshul Chaudhary as Chief Executive Officer. Anshul had been acting in the role throughout FY21 and prior to that was Chief Financial Officer for almost 10 years. His permanent appointment as CEO, ably supported by his experienced senior management team, provides stability and leadership as we continue to rebuild for the future.

On a personal note, my term as Chairman will be coming to an end early next year. I am immensely proud to have served as the first Chairman of Forestry Corporation of NSW and to have overseen the transformation of the business over the past eight years.

In this time, Forestry Corporation has experienced many successes. Both operating divisions drove financial turnarounds, with the Softwood Plantations Division delivering record profits and the Hardwood Forests Division recording five consecutive years of positive financial returns leading up to the 2019-20 fires.

Technology has been incorporated in every aspect of forest management, delivering improved outcomes in areas ranging from forest health to environmental compliance and firefighting. Environmental regulations in coastal native forests were updated with a rigorous new ruleset. New areas have been added to the softwood plantation estate and award-winning new tourism destinations have been established up and down the coast. Significant efforts have been made to improve the safety of our people and workplaces and embed a stronger safety culture, work that continues to be a primary focus moving forward.

The organisation also celebrated a significant milestone – 100 years of sustainable forest management and renewable timber production.

While the 2019-20 fires have altered our trajectory, the work we have done since corporatisation to reduce overheads, pay down debt and invest in technology and infrastructure has facilitated our rapid pivot to recovery and will underpin our future success.

James M. Millar AM
Chairman

CEO'S MESSAGE

Under the *Forestry Act 2012*, Forestry Corporation is the appointed land manager for NSW's State forests. As a land manager, we are charged with the responsibility of managing environmental conservation, fire, roads, pests and weeds, tourism and recreation and renewable timber production across two million hectares of public land on behalf of the NSW Government. As incoming CEO, I am acutely aware of the responsibility we hold to balance the many different interests in the forests we manage, particularly in the aftermath of the 2019-20 Black Summer fires. During FY21, we have maintained a steady focus on recovering, rebuilding and regrowing so we can continue delivering on each of these responsibilities into the future.

Record-breaking fire recovery program

Recovery from the Black Summer bushfires dominated operations throughout FY21. There is a limited window of opportunity within which timber from fire-affected softwood plantations can be processed and used while retaining the same structural properties and integrity as unburnt timber. This required a rapid and unprecedented increase in production to recover as much wood as possible from affected plantations. Forestry Corporation worked closely with its customers and contractors to salvage approximately five million tonnes of softwood timber during FY20 and FY21.

Simultaneously, we successfully repaired and reopened more than 5000 kilometres of roads and replaced 80 bridges impacted by the fires. These roads and bridges included a mix of key haulage routes to support the salvage effort and community roads that provide alternative routes to neighbouring properties and between communities, as well as access to State forests for tourism and recreation.

We also invested in expanding our two production nurseries in Tumut and Grafton to grow an extra three million seedlings each year. The expansions were completed in time for the sowing season in Spring 2020, enabling the accelerated replanting program to begin this financial year. During the 2021 calendar year a record 16 million softwood and hardwood seedlings will be hand planted to re-establish plantations, a 60 per cent increase on previous years. At this increased rate, all fire-affected plantations will be replanted over the next six to seven years.

The recovery of native forests is paramount and during FY21 we continued to work predominately in hardwood plantations, reducing operations in native forests to minimal levels augmented with additional safeguards designed to provide extra environmental protection. An interim review of the fire impact on the long-term sustainable timber yield from native forests has been completed, and work has also commenced on a thorough five-yearly review.

As one of the State's four statutory firefighting authorities, we also participated in the various reviews and inquiries into the 2019-20 fire season. Work has begun to implement the recommendations as they apply to State forests, in close partnership with the NSW Rural Fire Service.

Responding to new safety challenges

Ensuring the safety of our staff and contractors during our largest ever timber salvage and infrastructure repair programs while managing the additional risks and hazards associated with working in fire affected forests was challenging to say the least. While high-risk activities such as fire management and the substantial salvage program were executed without any major safety incidents, overall safety performance in FY21 was less than desirable and this was reflected in our total recordable injury frequency rate of 14.6 per million hours worked (FY20: 8.3) and our Lost Time Injury Frequency Rate (LTIFR), which was 9.5 (FY20: 4.4). Safety of our staff and contractors remains our highest priority, with significant focus placed on increasing safety awareness, leadership and training, in line with our safety strategy.

In addition, the ongoing coronavirus pandemic forced us to rapidly respond and adapt operations both in the field and in the office. Mental health and wellbeing were primary considerations as firefighting staff resumed their frontline duties during the 2020-21 fire season and staff navigated significantly altered operational work practices. We will continue to work on a range of initiatives to support our staff to return home from work safely and injury free every day.

Reassessing and realigning timber supply

State forests are managed in line with the principles of Ecologically Sustainable Forest Management, which means, in very simple terms, we are committed to maintaining forest health and biodiversity and harvesting timber in a renewable and environmentally sound manner. To that end, the sustainable yield of both hardwood and softwood timber has been reassessed following the fire impact to ensure timber supply is maintained responsibly over the long-term.

While the post-fire salvage program was an incredible achievement, the nature and scale of the impact on softwood plantations necessitated a substantial reduction in contracted supply. Contracts have been realigned and from FY22, supply will reduce by around 50 per cent in the hardest hit regions. This will impact production and revenue in the short to medium term, but our accelerated replanting program will restore supply to pre-fire levels longer term. Additionally, to support the domestic market, the majority of the timber from the Walcha region, which was previously designated for export markets, will be redirected to domestic processors.

The fire impact on the sustainable hardwood yield is more variable, due to the forest types and species impacted. Hardwood timber production from native forests has been reduced over the past two financial years as we continue to work to strike the balance we are required to meet between social, economic and environmental considerations in the fire-affected landscape. On the north coast, plantations were again prioritised to maintain supply but severe weather events, including widespread flooding during the third quarter, constrained production. On the south coast, where there is no hardwood plantation resource, operations continue to be limited to around a third of normal levels under augmented environmental conditions. Into FY22, we will continue to monitor and assess the recovery of forests and adapt our operations and management accordingly.

Investing for the future: Rebuild 2024

The success of our business is built on managing State forests responsibly and sustainably, balancing the needs of communities, the environment and industry today and over the long term. There is no denying that it will take many years of significant investment to replant the plantations, regrow the timber resource, support the recovery of the forests and rebuild the impacted infrastructure. Rebuilding is the core of Forestry Corporation's three-year strategic plan – Rebuild 2024 – which focuses on five key pillars, centered around positively contributing to local communities and rebuilding for a sustainable future.

Forestry is a long-term industry where 100-year planning horizons are standard. Forestry Corporation and its predecessors have been managing the same forests for more than a century and we are committed to remaining a sustainable and responsible manager of the State's forests and timber resources for the next 100 years and beyond.

Anshul Chaudhary
Chief Executive Officer

SOFTWOOD PLANTATIONS DIVISION

Successful salvage program drives record production

Salvage efforts that commenced in FY20 to recover and process merchantable timber from fire-affected plantations continued throughout FY21. The salvage program exceeded expectations in terms of both volume and duration, with more than 90 per cent of potential sawlogs and approximately 80 per cent of the total fire-affected resource harvested over 18 months. This both maximised the value of the fire-affected timber and ensured ongoing supply of essential products amid high market demand.

Fire-salvaged wood accounted for two thirds of the five million tonnes of softwood timber produced during FY21. This is 25 per cent higher than the normal rate of production and the largest volume ever harvested in a single year. The vast majority of high quality sawlogs continued to be processed by domestic customers. However, the introduction of bans on the import of Australian timber by the Chinese government restricted opportunities to salvage lower quality logs to some degree.

Salvage from fire-affected plantations also reduced harvesting in unburnt areas, which maintained more of the standing timber resource and will assist with mitigating the supply shortage in the years ahead.

Revenue from salvage timber sales yielded lower margins and so only partially offset the substantial investment required to re-establish the plantations and restore damaged infrastructure. This drove the division's normalised earnings down to $47 million (FY20: $59 million). If the fire impacts were excluded, the division's normalised earnings would be adjusted to $62 million[1], which is commensurate with previous years and reflects the significant investments being made in restoring infrastructure and plantations.

While considerable over the short term, these investments will restore the future timber resource, along with key roads and infrastructure, and deliver long-term benefits for the business, its customers and the community.

Supply contracts realigned following fire impact

While the salvage program temporarily boosted production in FY21, looking ahead, timber supply must reduce from pre-fire levels to maintain the long-term sustainability of the resource until the replanted areas mature. Softwood plantations are not fire resilient and around a quarter of the estate was affected by fire, with the impact concentrated in the Snowy region. This is the largest production region, incorporating plantations around Tumut, Tumbarumba and Bombala. Losses in the Grafton area were also substantial.

The 2019-20 fires compounded forecast supply reductions stemming from the 2006 Billo Road Fire. As a result, from FY22, sawlog production in the Snowy region will reduce by over 50 per cent to reset supply to a medium-term sustainable level. The division worked with customers to realign existing contracts to the available resource while plantations are re-established and regrow.

Negotiations were also conducted to redirect timber from the Walcha district to processors in Tumut and Tumbarumba to augment supply to the region. Timber from Walcha was previously exported due to the lack of any local processors. A Ministerial direction was issued after the end of financial year to facilitate the redirection of this timber.

While supply will be maintained at reduced levels to most processors, unfortunately the rate of production is not enough to support all harvesting and haulage contractors. A competitive process was completed to award new contracts that align with the available timber yield. This was a difficult but necessary process to maintain the long-term viability of the local industry. All new contracts were awarded to local companies already operating in the area.

[1] Bushfire recovery expenditure is unaudited.

Upgraded nurseries deliver record seedling crop

Regrowing all the fire-affected plantations and restoring timber supply is a priority and the division is tracking ahead of its seven-year plan to replant all impacted areas by 2027.

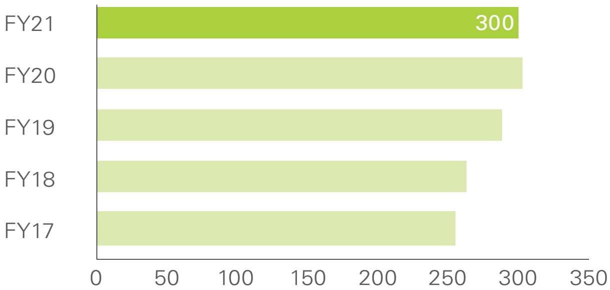
Major capital works were completed at production nurseries in Blowering and Grafton, expanding capacity and delivering an immediate boost to seedling production ahead of the 2021 planting season. Approximately 15 million seedlings were planted across close to 14,000 hectares of softwood plantations during the season. Seedling quality continues to be maintained, with excellent survival rates recorded for the seedlings planted in 2020.

Infrastructure repairs continue, supporting industry and community

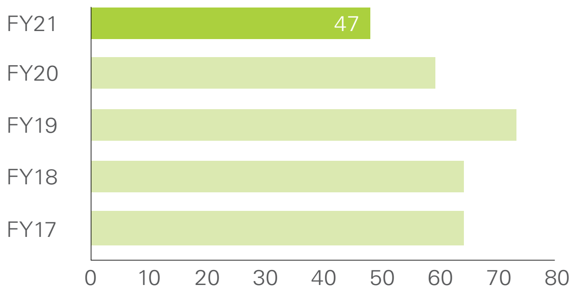
The division also continued ongoing work to repair the damage to forest roads and infrastructure as a result of the 2019-20 fires. State forest roads not only provide access for operations and forest management, but also deliver a range of community benefits. Many forest roads provide convenient alternative access between communities or to private properties, serve as strategic roads for firefighting, and connect the community to popular tourism destinations.

Blowering Dam's Western foreshore is one key visitor destination that was severely impacted by fires and has been a focus of substantial repair work. More than $1.3 million was invested in restoring roads and removing hazards to safely reopen part of the area to the community during FY21, and work will continue into FY22 to restore this and other popular visitor sites.

Softwood: Revenue[1] ($m)



Softwood: Normalised earnings[2] ($m)



Division financial results

Year ended 30 June ($ millions)	FY17	FY18	FY19	FY20	FY21
Softwood Plantations					
Revenue[1]	254	262	289	301	300
Normalised earnings[2] before fire-recovery expenses[3]	64	64	73	67	62
Normalised earnings[2] after fire-recovery expenses[3]	64	64	73	59	47

1 Revenue includes other income and interest.

2 Normalised earnings excludes statutory adjustments such as the fair value of biological assets, defined benefit employee cost etc. and is unaudited.

3 Fire-recovery expenses include repairs to the road network and replanting activities in bushfire-affected plantation areas and is unaudited.

HARDWOOD FORESTS DIVISION

Fire, floods reduce revenue and increase expenses

Additional precautions in response to fires and extreme wet weather significantly reduced hardwood timber production in FY21.

Heightened environmental protection measures reduced the scale, number and intensity of operations in coastal forests. On the south coast, which was hardest hit by the 2019-20 fires, operations continued at around a third of the normal rate for the second consecutive year. On the north coast, timber plantations continued to be prioritised to reduce operations in native forests and maximise habitat protection. Major rain events and flooding on the north coast forced a further reduction in production. Force majeure provisions continued to be enacted on many contracts, and supply was below minimum commitments for most agreements in coastal regions.

Reduced production resulted in markedly lower timber sales revenue. While costs related to the harvesting of timber decreased in line with the reduction in operations, expenditure remained considerably higher than average. The Hardwood Forests Division manages two million hectares of native forest, approximately ten times the land area of the softwood plantation estate, as well as approximately 35,000 hectares of hardwood plantations. Timber harvesting operations are the primary source of revenue and these operations remain profitable. However, the division's main expense is land management, the cost of which is traditionally offset by income from timber harvesting operations to maintain the division in a cost-neutral position. With operations curtailed, these land management expenses were not able to be fully offset. Major expenses were also incurred related to ongoing fire recovery across the estate including enhanced environmental assessments and monitoring, amplified pest control programs and extensive infrastructure repairs.

The combined impact of reduced revenue and substantially higher expenditure reversed the positive financial position the division has maintained over the past five financial years. Normalised earnings were -$20 million (FY20: $0 million), with expenses projected to remain at elevated levels as infrastructure repairs continue. If the cost of infrastructure repairs and other fire recovery activities is excluded, the division's normalised earnings would be adjusted to -$6 million[1], which reflects the $18 million impact on net revenue margin from reduced timber harvesting operations.

Both operating divisions used equity funding to offset infrastructure repair costs, with approximately $18 million of the equity injection allocated to support infrastructure repairs. However, the cost of the full program of repair works required far exceeds this amount. Widespread flooding and rain events during the year further damaged forest roads and infrastructure, including major community roads. This extended the required program of restoration works and repairs. Replanting rates also doubled as part of a five-year program to re-establish fire-affected hardwood plantations and offset the higher rate of plantation harvesting following the fires, increasing associated expenses.

Augmented environmental conditions

Native forests are naturally occurring and timber production is managed in line with strict environmental conditions designed to protect environmental features and maintain habitat and biodiversity. In FY20 the division worked with the Environment Protection Authority (EPA) to augment these conditions with additional site-specific operating conditions for harvesting operations in forests impacted by fire.

Forestry Corporation has a statutory obligation to balance environmental considerations with maintaining supply of renewable timber products to the community, supporting the regional economies reliant on timber industry jobs and maximising the value of the State's timber assets. To maintain a responsible balance, additional voluntary environmental safeguards were introduced for operations on the South Coast and in Eden from March. These address the same post-fire risks as the site-specific operating conditions and have enabled some timber supply to resume, while enhancing habitat protection and increasing flora and fauna surveys to minimise environmental risks.

Skilled and experienced staff, including the division's team of professional ecologists, continue to carry out detailed research, monitoring and environmental surveys to assess the ongoing recovery and health of the forests. A long-term monitoring program is also being developed by the Natural Resources Commission (NRC) that specifically monitors post-fire recovery. In line with adaptive management principles, data from these monitoring programs will be used to continually assess the effectiveness of conditions and inform future management.

[1] Bushfire recovery expenditure is unaudited.

Long-term timber yields reassessed

Following a detailed fire intensity mapping process and an independent review, 100-year wood supply models for hardwood timber yields from coastal State forests were reviewed to account for the fire impact. The review commenced in the immediate aftermath of the fires and used a satellite-based fire severity model combined with existing inventory data and field observations to carry out a rapid assessment of the fire impact on timber yields across the affected forests.

The models showed variable impacts depending on fire severity and tolerance of different species. For many years, timber production has been below the modelled sustainable yield and the division continues to ensure ongoing timber supply aligns with the long-term resource availability.

The review will be supplemented by further assessment in very fire sensitive forests as well as a full remeasurement of inventory plots across the native forest estate. This work has commenced and forms part of the comprehensive review of the long-term sustainable yield due in 2023-24.

Elevating environmental compliance

Compliance with environmental conditions is fundamental to the business and the division continually invests in training and technology to ensure regulations are correctly implemented. While compliance is achieved on the vast majority of operations, concerningly, issues were identified during the year.

With the regulator advising a heightened focus on regulatory compliance, stop work orders were received on two operations and the EPA also issued several penalty infringement notices. The EPA commenced prosecutions for operations that took place in prior years under previous regulations and during the early implementation of the current regulations. These are expected to be heard by the Land and Environment Court during FY22.

Considerable action was taken during the year to elevate the focus on environmental compliance. The establishment of a new Compliance Assurance Team was an important step that is expected to drive ongoing improvements.

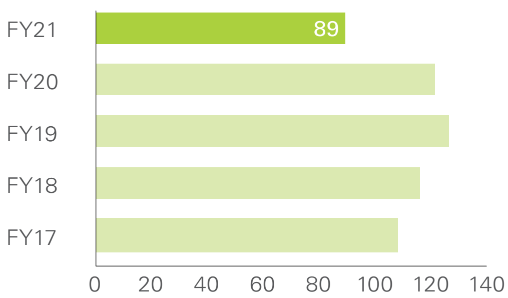
New investments in tourism and community facilities

Alongside the work to maintain and repair community roads and infrastructure, the division has continued to work with communities to develop and enhance State forest facilities and tourism sites.

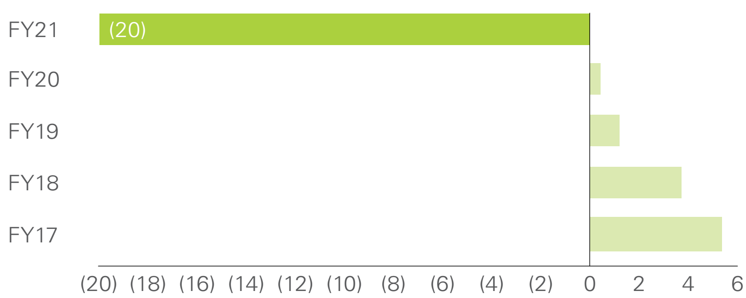
Iconic new destinations are being developed in Cowarra State Forest near Port Macquarie and Bago State Forest near Tumbarumba, with the support of the Regional Growth - Environment and Tourism Fund. A masterplan for the Cowarra State Forest tourism precinct was finalised during the year in collaboration with a range of community partners. The Bunyah Local Aboriginal Land Council will partner on ongoing cultural burning as well as managing a cafe, art gallery, and amphitheatre for cultural awareness training for schools. The precinct will also incorporate the world's first wild koala breeding facility run by the Port Macquarie Koala Hospital in partnership with leading research institutions including Taronga Zoo, Australian Museum Research Institute and the University of Sydney. The precinct will also feature a Big Koala sculpture and a wild nets adventure course.

The Hardwood Forests Division provides a network of visitor areas across NSW, ranging from mountain biking facilities to camping areas, lookouts and high ropes courses and including several award-winning destinations. State forests are also major destinations for four wheel driving, horse riding, trail biking and recreational hunting. Work will continue on new developments into FY22 to further support and promote regional forest-based tourism.

Hardwood: Revenue[1] ($m)



Hardwood: Normalised earnings[2] ($m)



Division financial results

Year ended 30 June ($ millions)	FY17	FY18	FY19	FY20	FY21
Hardwood Forests					
Revenue[1]	109	117	123	121	89
Normalised earnings[2] before fire-recovery expenses[3]	5	4	1	7	(6)
Normalised earnings[2] after fire-recovery expenses[3]	5	4	1	0	(20)

[1] Revenue includes other income and interest.

[2] Normalised earnings excludes statutory adjustments such as the fair value of biological assets, defined benefit employee cost etc. and is unaudited.

[3] Fire-recovery expenses include repairs to the road network and replanting activities in bushfire-affected plantation areas and is unaudited.

GOVERNANCE AND ASSURANCE

Elevating compliance

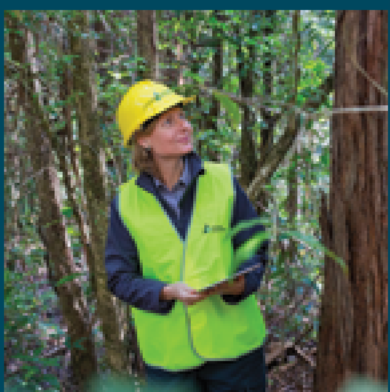
The Governance and Assurance Division was established during the year to recalibrate focus and oversight on compliance, in particular environmental compliance.

The division replaces the Corporate Resources Division and centralises oversight of compliance, fire management, risk and audit, company secretariat, corporate governance, legal and corporate affairs.

Focus on environmental outcomes

Environmental compliance in native forests is a primary focus. Operations in native forests are governed by a robust and complex set of regulations developed by experts. These regulations include many hundreds of individual measures, which provide a high standard of environmental protection when correctly implemented. Compliance issues are cause for concern, so practices have been reviewed to identify and address areas for improvement.

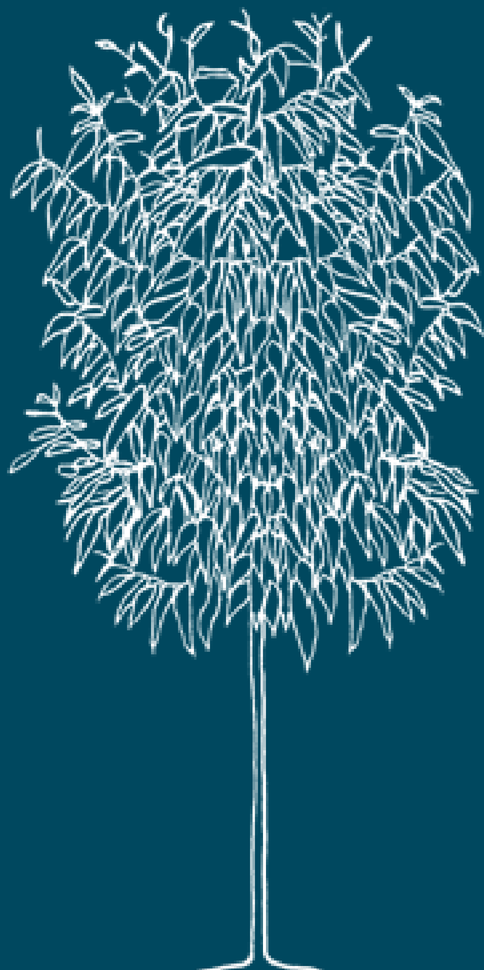
A Compliance Assurance Team has been established to support and elevate focus on environmental compliance. The team will work closely with all levels of the business, from senior management to operational staff as well as regulators, to enhance processes and ensure adequate resources are in place to inform and support improvements in compliance, with a strong focus on environmental outcomes.



Compliance resourcing increased across the Governance and Assurance Division and Hardwood Forests Division. Resources were augmented, and more people were engaged on the ground to assist with additional pre-harvest planning work and ensuring staff and contractors understand and meet the compliance requirements in the post-fire landscape.

Collaborating on fire management

As a statutory firefighting authority, Forestry Corporation works in collaboration with the NSW Rural Fire Service and other agencies to prevent and suppress fires across the landscape. Following the 2019-20 fires, the NSW Government commissioned an independent expert inquiry and the Commonwealth Government commissioned a Royal Commission into National Natural Disaster Arrangements. Forestry Corporation



contributed information to assist each inquiry as required. The State Coroner is continuing to conduct coronial inquests and inquiries, with hearings continuing into FY22.

The NSW Government accepted all recommendations from the Independent Bushfire Inquiry and implementation has commenced. Working in partnership with the RFS, Forestry Corporation is increasing maintenance of strategic fire trails and hazard reduction, developing Fuel Management Plans, upgrading tankers and improving radio communications networks.

More than $5 million of funding was secured during the year to support implementation. Approximately $1 million a year will be invested in tanker upgrades from FY22, while fire trail maintenance will continue to be supported by Community Service Obligation funding as well as RFS funding streams. A four-year, $4.5 million upgrade program has also begun to improve fireground radio communications and transition to the Government Radio Network (GRN) by fitting fireground radios and GRN-enabled equipment to the extensive fleet of firefighting vehicles statewide.

Investing in continuous research and improvement

Compliance is underpinned by continuous review and improvement of systems, processes and technology and to this end, the division continues to invest in applied research and trials of potential new solutions to challenges across the business.

During the year, high accuracy GPS systems were trialled in harvesting equipment to support more precise implementation of mapped conditions. Trials were carried out to test satellite-based early fire detection networks and camera-based smoke detection to explore opportunities to enhance early detection capability. Early detection and rapid response remain key firefighting tools, with a network of staffed fire towers continuing to provide a first line of defence across the estate. Investments in trials and research, including into climate change impacts, will continue into FY22 and beyond to drive ongoing improvements.

PEOPLE, SAFETY AND SYSTEMS

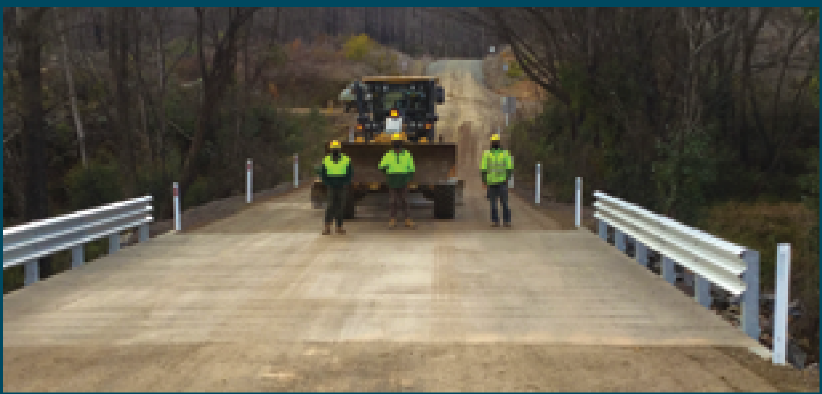
Refocusing and adapting to drive safety improvements

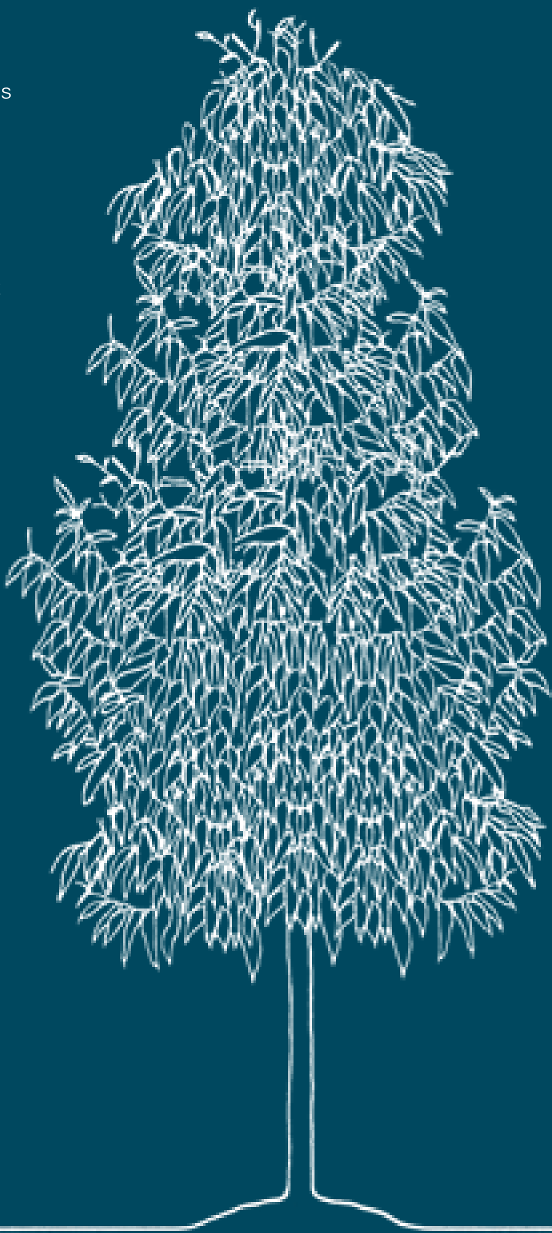
Delivering substantial fire-salvage and infrastructure programs in a post-fire landscape presented additional safety challenges and, unfortunately, safety incidents were higher during the year. The goal remains for everyone to return home, injury free, every day and work will continue into FY22 to refocus efforts on safety.

The evolving safety considerations during the COVID-19 pandemic also required flexibility and adaptability, particularly in the delivery of key programs. Firefighting requires thorough preparation and training. Fire camps are held every year to deliver an intensive training program, upskill firefighters and new recruits to national qualifications and ensure the workforce is trained and prepared for forest firefighting. The fire camps were successfully adapted to enable COVID-safe delivery without compromising on training outcomes.

Following the extensive 2019-20 fire season, which saw staff complete more than 16,500 firefighting hours, fatigue management practices were also reviewed and updated to ensure we continue to look after our people each fire season.

Investment in fleet and equipment upgrades also continued, with the objective to improve safety and reliability. A large proportion of staff, including office-based staff, spend at least part of their time in the field and driving. Driving and operating machinery are critical risks and for the past few years, all vehicles have been fitted with telematics devices that monitor speed and driving behaviour, including appropriate breaks during long journeys. Considerable investment has also been made in working with operators to ensure vehicles and equipment are fit for purpose and fitted with the latest safety features and ensuring operators are appropriately inducted into the use of equipment. In FY21, approximately $7 million was invested in fleet and equipment upgrades and investments will continue into FY22.





Enterprise Agreement further extended ahead of full review

The majority of Forestry Corporation's staff are employed under an Enterprise Agreement, which sets out the terms and conditions of employment including movements in wages. The Enterprise Agreement was due to expire on 30 June 2020. However, negotiation of a new agreement was impacted by the NSW Government wage freeze policy implemented during FY20. The existing agreement was extended and wages were adjusted in line with the outcome of the Salaries Award Case handed down by the NSW Industrial Relations Commission.

The current Enterprise Agreement is a complex and, at times, difficult industrial instrument to work with, and both employees and the business would greatly benefit from an updated agreement. Further work was required to properly review and consider the agreement before resuming formal bargaining. Forestry Corporation remains committed to developing an improved agreement and will recommence negotiations during FY22.

Supporting a skilled, diverse workforce

Training and development of staff is fundamental to building and maintaining a skilled and engaged workforce. Face-to-face training has been adapted in response to COVID-19 safety considerations, but remains a priority. The leadership development program continues to identify and upskill leaders throughout the business, supported by a range of ongoing technical training and development.

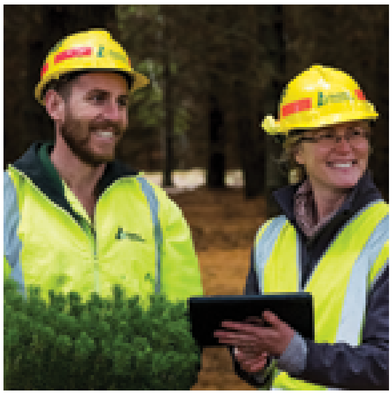
Forestry Corporation is committed to building a diverse and inclusive organisation that leverages different perspectives to innovate and solve problems.

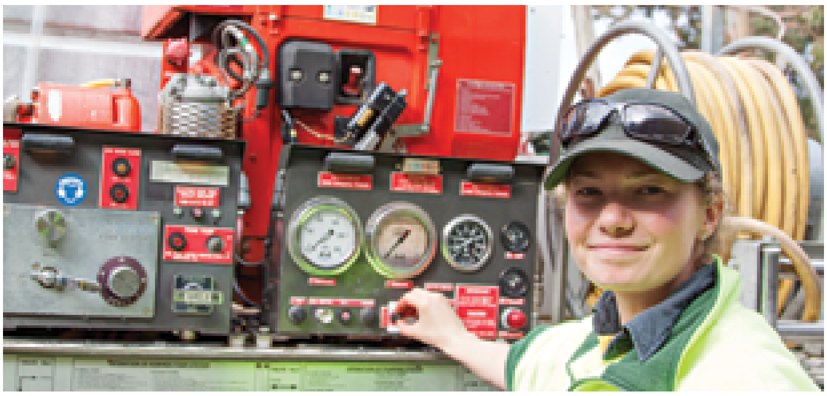
The primary focus is on promoting gender and age diversity across the organisation, with key supporting initiatives including the rollout of a flexible working framework, a female peer support program and a transition to retirement engagement program to support those planning to retire.

Gender diversity continues to improve year on year, with females representing 22.8 per cent of the workforce at the end of FY21 (FY20: 22%) and 31 per cent of appointments to newly advertised roles. Forestry Corporation also sponsors the Girls on Fire program, which encourages young females to consider working in the fire services and provides female employees with mentoring opportunities. While gender and age diversity are current priorities, Forestry Corporation continues to monitor diversity across the workforce to track progress towards our goal of creating a more diverse and inclusive business.

Managing through the pandemic

Flexible working arrangements were adopted to ensure the safety of staff during the COVID-19 pandemic in FY20 and these have continued to deliver ongoing benefits. Many staff have elected to incorporate some remote working into their schedules to improve work-life balance. Ongoing investment in IT systems, support and training ensured productivity, access and security were maintained while allowing increased flexibility for staff. This also enabled a seamless transition back to remote working when stay at home restrictions were reintroduced to many areas at the end of the financial year.





BOARD AND CHARTER

Charter

Forestry Corporation of NSW is a statutory State Owned Corporation constituted under the *Forestry Act 2012*, and is subject to the direction of a Board of Directors and the provisions of the *State Owned Corporations Act 1989*.

Under the objectives set out in the Forestry Act, Forestry Corporation is required:

a. to be a successful business and, to this end:
   i. to operate at least as efficiently as any comparable businesses
   ii. to maximise the net worth of the State's investment in the corporation

b. to have regard for the interests of the community in which it operates

c. 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*

d. to contribute towards regional development and decentralisation

e. to be an efficient and environmentally sustainable supplier of timber from Crown-timber land and land owned by it or otherwise under its control or management.

Each of the principal objectives is of equal importance. Forestry Corporation also has, in exercising its functions as the land manager of a forestry area, the objectives of a land manager under Part 5 of the Forestry Act.

Forestry Corporation Board

Under the *Forestry Act 2012* the Board of Directors is appointed by the voting shareholders. Forestry Corporation has two voting shareholders, the NSW Treasurer and the Minister for Finance and Small Business. The Board accountability to its shareholders is set out in its constitution and the *State Owned Corporations Act 1989*.

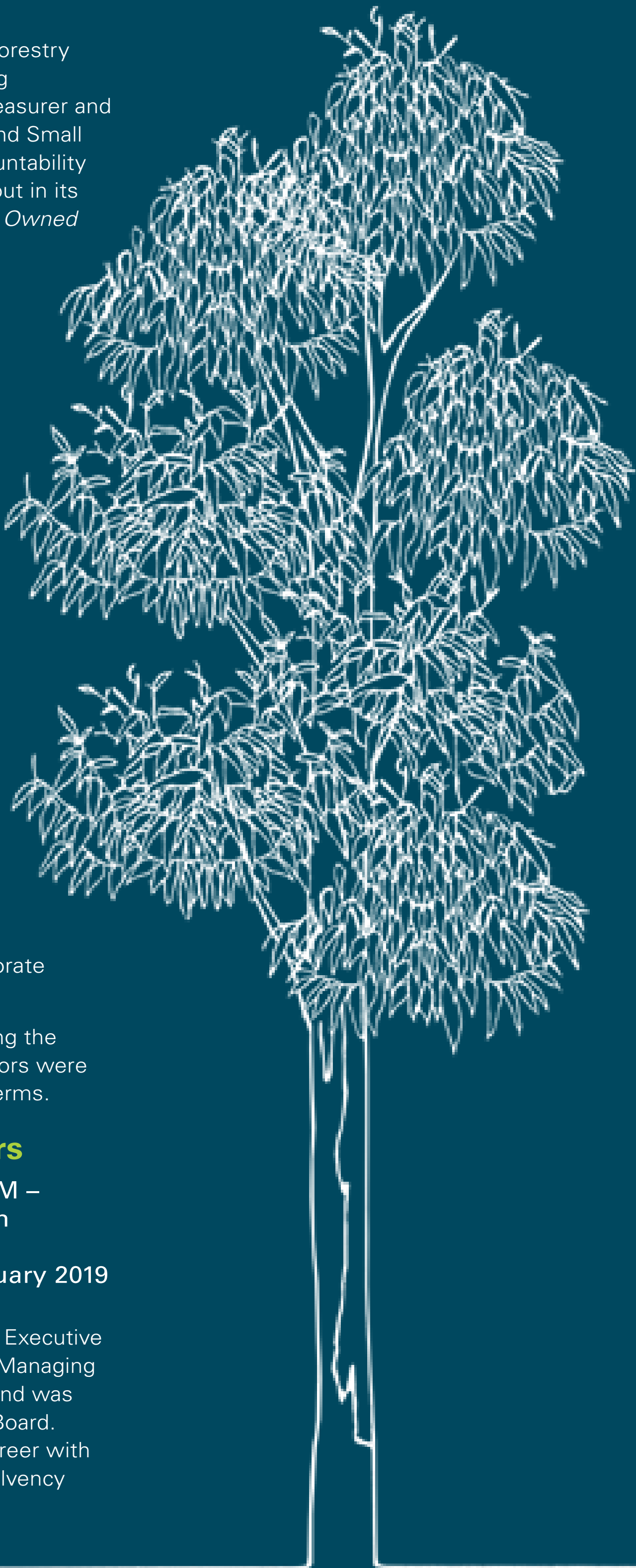
The Board comprises up to six non-executive directors. All non-executive director positions are skills-based and are considered independent in accordance with the NSW Treasury Guidelines for Boards of Government Businesses. As set out in the Board Charter, the Board's main purpose is to run a successful business and build the Corporation's long-term value that will benefit the people of NSW. This is achieved by being an efficient, economically and environmentally sustainable forest manager and timber supplier with strong corporate governance.

Two Directors retired during the year and three new Directors were appointed for three-year terms.

Board of Directors

Mr James M. Millar AM – Director and Chairman
BCom, FCA, FAICD
Current term: 15 February 2019 – 14 February 2022

James is the former Chief Executive Officer and Oceania Area Managing Partner of Ernst & Young and was a director on their Global Board. James commenced his career with Ernst & Young in their insolvency



and reconstruction practice, and was involved in the reconstruction of some of Australia's largest businesses. He is an experienced corporate executive and advisor, and is a director, trustee or member of a number of public and private companies and charitable organisations.

Ms Sarah Kearney – Director and Chair People Committee BSc (Psychology) Current term: 15 February 2019 – 14 February 2022

Sarah is a director of Performance Insights and Sarah Kearney Consulting and is a former Managing Director of global HR consulting organisation SHL Australia and New Zealand (now known as Gartner Group). Sarah has extensive experience working with companies across a broad range of industry sectors in developing frameworks to drive cultural change. As a director of Performance Insights, Sarah continues to work with companies to design and implement people management strategies to improve skills and performance.

Ms Mary Verschuer - Director and Chair Audit and Risk Committee BApplSc (Chemistry), MSc, MBA, MA, FAICD Current term: 1 March 2021 – 29 February 2024

Mary has experience as a global senior manager across a range of industries, including leading the Minerals and Metals business for Schenck Process and the Asian business for Huhtamaki with responsibility for manufacturing, supply chain and sales operations in diverse geographies and cultures. Mary is a current non-executive director in the manufacturing, charitable and education sectors.

Ms Stefanie Loader – Director and Chair of Safety Committee BSc Hons (Geology), Grad Cert (Applied Stats) MAIG, GAICD Current term: 15 February 2021 – 14 February 2024

Stefanie (Stef) is a geologist and former mining executive with experience in mining operations, mineral exploration and project development and has worked locally and in a number of international locations. Stef held the role of Managing Director of Northparkes copper and gold mine for CMOC International and Rio Tinto and has Chaired the NSW Minerals Council. Stef is a non-executive director in the mining, technology and community services sectors.

Mr Matthew Sexton – Director BCom (Marketing), GAICD Current term: 1 March 2021 – 29 February 2024

Matthew (Matt) was a CEO over a twenty-year period. Firstly, as the CEO of Siemens Dematic, Asia Pacific then as the CEO of Rheem, Asia Pacific. This also included responsibility for the global business of Solahart renewable technologies. He has extensive international experience in marketing, research and development, production and logistics across a broad range of industries. He now works as a non-executive director and emergency services volunteer.

Board meetings

There were eleven Board meetings held during the reporting year. The attendance by directors at Board meetings is outlined below:

Member	Number of Meetings Attended
James Millar AM	11
Sarah Kearney	11
Mary Verschuer	3
Stefanie Loader	3
Matthew Sexton	3
Geoffrey Applebee*	9
Noel Cornish AM*	9

* Retired on 28 February 2021

Board committees

The Board is supported by the Audit and Risk Committee, the People Committee and the Safety Committee which deliver more detailed analysis of finance, risk, audit, remuneration, people and safety.

Each committee has a charter setting out its roles, responsibilities and delegated authority from the Board and these are reviewed on an annual basis.

During the reporting period there were six meetings of the Audit and Risk Committee, two meetings of the People Committee and one meeting of the Safety Committee.

FINANCIAL SUMMARY

Financial results reflect fire impact

Total comprehensive income for the year, at $19 million (FY20: -$214 million), includes operational and statutory transactions. The key driver of the operational results was the success of the program to salvage fire-affected timber from softwood plantations, which exceeded expectations. The key statutory variance relates to the impact of fire on the fair value of biological assets, which was included in the FY20 accounts. For management purposes, underlying performance is measured using normalised earnings. At $27 million (FY20: $60 million), normalised earnings before interest and taxes[1] were 54 per cent lower than the prior year, but 167 per cent above the target set in the Statement of Corporate Intent (SCI) business plan agreed with shareholders, which was adjusted to reflect fire impacts.

Key financial ratios reduced, including Earnings Before Interest and Tax (EBIT) Margin at 6.9 per cent (FY20: 14%) and Interest Cover at 6.2 times (FY20: 11.2 times), but remained stronger than budget expectations.

Despite increases in softwood timber production, revenue[2] decreased to $396 million, (FY20: $428 million). While the fire salvage program increased softwood production by 20 per cent, second half revenue was impacted by a significant reduction in the export of timber due a range of factors including international trade issues with China and unfavourable foreign exchange rates.

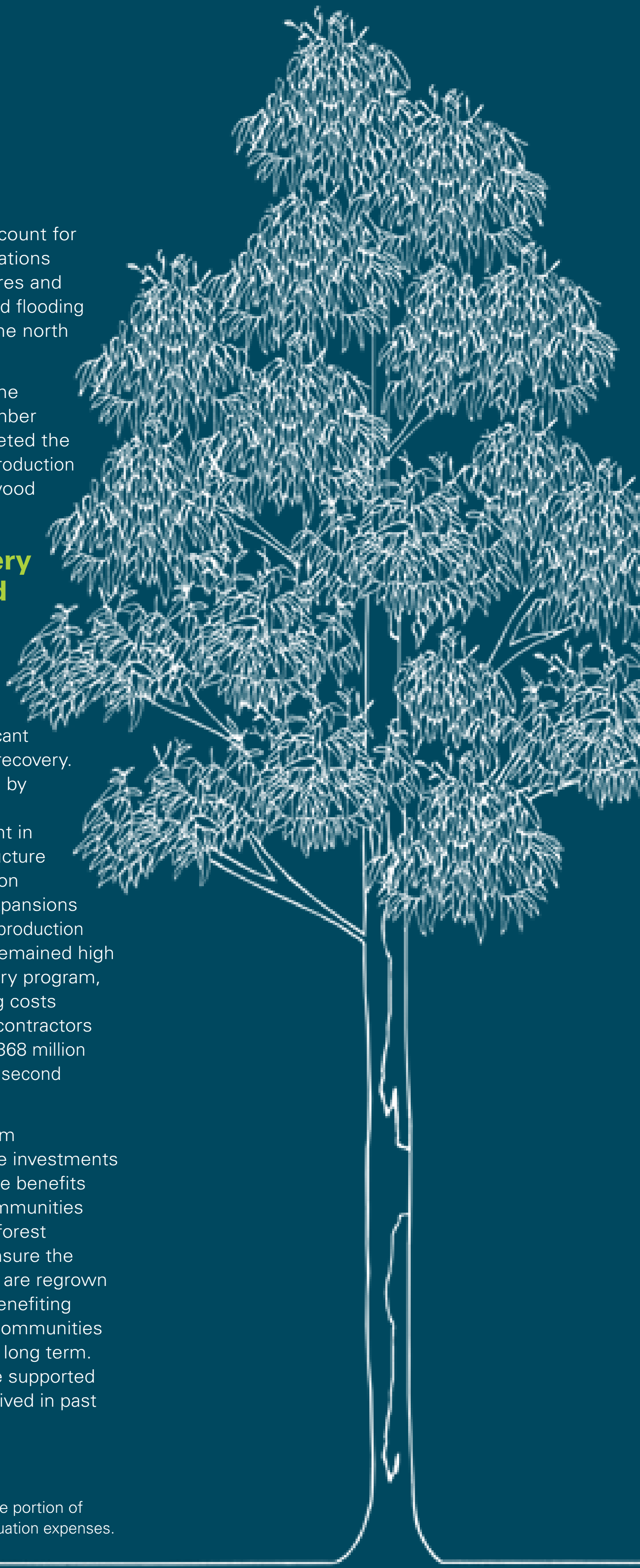
Revenue from hardwood timber sales decreased due to a significant reduction in operations in the south of the state to account for environmental considerations following the 2019-20 fires and extreme wet weather and flooding limiting production on the north coast.

Looking forward, with the bulk of the softwood timber salvage program completed the forecast is for reduced production and revenue from softwood plantations from FY22.

Bushfire recovery investment and shareholder return

Rebuilding and replanting efforts have commenced with significant investments in bushfire recovery. Planting costs increased by $11 million against the previous year, investment in road and bridge infrastructure was more than $10 million higher than FY20 and expansions were completed at both production nurseries. Expenditure remained high in support of this recovery program, with increased operating costs including materials and contractors elevating expenses[3] to $368 million (FY20: $368 million) for a second consecutive year.

While reducing short-term shareholder return, these investments have delivered immediate benefits to the many regional communities and visitors that rely on forest infrastructure and will ensure the state's timber resources are regrown as quickly as possible, benefiting shareholders, industry, communities and consumers over the long term. These investments were supported by equity injections received in past



[1] Reconciliation of normalised earnings is detailed in the table on page 22.

[2] Revenue includes other income and interest.

[3] Expenses exclude finance costs and a portion of employee benefits expense. The portion of employee benefits expense excluded represents notional defined benefit superannuation expenses.

years as well as dividend exemptions in order to fund activities associated with bushfire recovery.

Balance sheet

The Forestry Corporation balance sheet remains strong at 30 June 2021. The net position has improved to $1.35 billion (FY20:$1.33 billion). There were a number of material movements during the year. A strong working capital movement driven by overall business performance and aged debtor reduction has seen cash levels remain resiliently high. The fair value of biological assets fell by $71 million due to movement in area based costs. Revaluations provided uplifts to the value of land and transportation equipment during the year. A comprehensive revaluation of property, plant and equipment will be completed in FY22 in line with the triennial program.

The retirement benefit obligation provision has been reduced by $22 million due to significant investment market returns. The level of debt has remained unchanged from the previous year.

Other items

The financial effects of COVID-19 continued to be mitigated by the continuation of forestry operations and construction, driving strong demand for timber. No significant financial effects were identified after reviewing at-risk areas such as fair value of property, plant and equipment and expected credit losses.

The statutory (non-operating) adjustments recorded in the financial statements had a significant impact on net profit results, however they are non-cash and do not affect the normalised earnings. For clarity, the significant items recorded in the income statement have been reconciled in the tables below and overleaf.

Revenue[1]
$396m
▼ 7% below FY20 and budget

Total comprehensive income
$19m
▲ FY20: -$214m

Expenses[2]
$368m
■ Same as FY20
▼ 11% below budget

Interest cover
6.2x
▼ FY20: 11.2x
▲ Budget: 2.1x

Normalised earnings[3]
$27m
▼ 54% below FY20
▲ 167% above budget

Earnings margin
6.9%
▼ FY20: 14%
▲ Budget: 2.4%

Note – Figures are rounded

FY21 Divisional breakdown ($ millions)	Softwood	Hardwood	Corporate	Total
Revenue[1]	300	89	7	396
Normalised earnings[3] before fire-recovery expenses[4]	62	(6)	0	56
Normalised earnings[3] after fire-recovery expenses[4]	47	(20)	0	27

1 Revenue includes other income and interest.

2 Expenses exclude finance costs and a portion of employee benefits expense. The portion of employee benefits expense excluded represents notional defined benefit superannuation expenses.

3 Normalised earnings excludes statutory adjustments such as fair value of biological assets, defined benefit employee cost etc. and is unaudited.

4 Fire-recovery expenses includes repairs to the roads network and replanting activities in bushfire affected areas and is unaudited.

Reconciliation of normalised earnings to statutory results ($ millions)

	2020	2021
Total comprehensive income / (loss) per the financial statements	(213)	19
Impact of actuarial assessment on the defined benefit superannuation liabilities (net of tax)	(6)	(15)
Impact of valuation of standing timber (net of tax)	242	50
Impact of revaluation and related impairment of property, plant and equipment (net of tax)	13	(39)
Normalised earnings[2] after tax	36	15
Interest and tax on normalised earnings[2]	24	12
Normalised earnings[2]	60	27

[2] Normalised earnings excludes statutory adjustments such as the fair value of biological assets, defined benefit employee cost etc.

Financial highlights

Key financial data

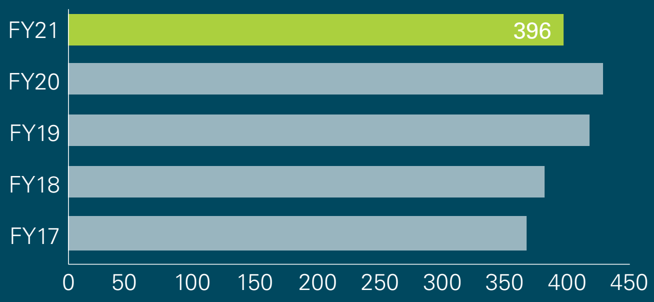
Year ended 30 June		FY17	FY18	FY19	FY20	FY21	2021 SCI targets: SCI	Variance
Revenue[1]	$m	369	384	417	428	396	425	(29)
Normalised earnings[2]	$m	67	66	74	60	27	5	22
Dividend payable	$m	30	25	33	0	0	0	0
Borrowings	$m	108	108	86	86	86	86	(0)
Biological assets	$m	992	983	1,171	825	754	825	(71)

Key ratios

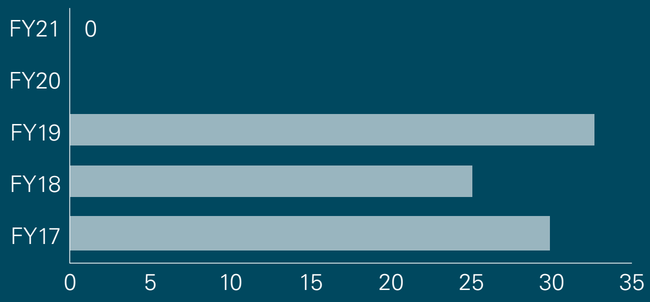
		FY17	FY18	FY19	FY20	FY21	SCI	Variance
Return on equity	%	5.4	5.2	4.9	4.5	2.0	0.8	1.2
Normalised earnings[2] margin	%	18.1	17.3	17.7	14.0	6.9	2.4	4.5
Liquidity ratio	times	1.3	1.4	1.4	2.3	2.1	2.0	0.1
Gross debt to normalised earnings before depreciation and amortisation	times	1.5	1.5	1.0	1.2	2.3	4.0	(1.7)
Interest cover	times	12.0	9.9	11.8	11.2	6.2	2.1	4.1

[1] Revenue includes other income and interest.
[2] Normalised earnings excludes statutory adjustments such as the fair value of biological assets, defined benefit employee cost etc.

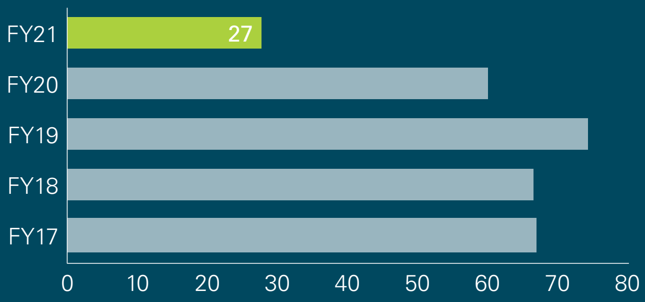
Revenue[1] ($m)



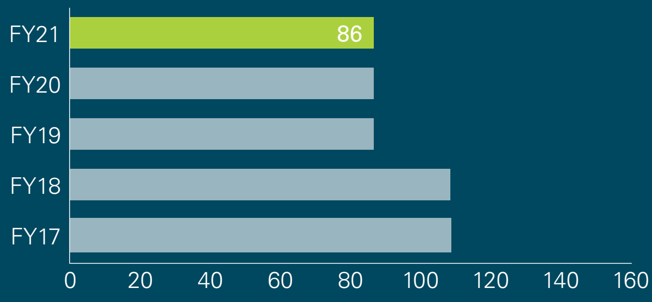
Dividend ($m)



Normalised earnings[2] ($m)



Debt ($m)



[1] Revenue includes other income and interest.
[2] Normalised earnings excludes statutory adjustments such as the fair value of biological assets, defined benefit employee cost etc.

ORGANISATIONAL STRUCTURE

Board of Directors

CEO
Anshul Chaudhary[1]
BCom (Accounting), CA, GAICD

General Manager Governance and Assurance
Company Secretary
Ross Dickson
BAgSc (Hons), MSc (Plant Science), PhD (Forestry Science), GAICD, Grad Dip ACIS

- risk management, compliance
- internal audit
- corporate governance and executive support
- legal services
- communications and corporate affairs
- assets and estates
- fire management and radio services
- mapping and information services
- tree and seed resources.

General Manager Hardwood Forests Division
Daniel Tuan
BA

- hardwood marketing and timber sales
- native forest stewardship and fire management
- forest management planning
- timber harvesting and roading operations
- ecological surveys and monitoring
- hardwood plantations.

General Manager Softwood Plantations Division
Mike Beardsell
BSc (Forestry) (Hons), MSc (Industrial Forest Operations), PhD (Industrial Forest Operations)

- softwood plantation establishment
- management and planning
- harvesting and roads
- sales and procurement
- fire and stewardship
- seedling production.

Chief Financial Officer
Grant Steen[2]
BEc, CPA

- corporate finance
- tax and treasury
- commercial finance
- accounts payable and staff expenses
- credit control
- information technology
- strategic planning and analysis
- fleet management.

General Manager People and Safety
Meredith Payne
BA (Psychology)
DipEd
Post Grad Diploma (HR)

- human resources
- health, safety and wellbeing
- organisational development
- diversity and inclusion
- payroll
- learning.

[1] Anshul Chaudhary was Acting CEO throughout FY21 and was formally appointed CEO in June 2021.
[2] Grant Steen was Acting Chief Financial Officer throughout FY21 and was formally appointed to the role in September 2021.

FINANCIAL STATEMENTS

Forestry Corporation of New South Wales
ABN 43 141 857 613
30 June 2021

Start of audited financial statements

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2021

	Note	30 June 2021 $'000	30 June 2020 $'000
Revenue	5	374,590	406,160
Other income	6	18,954	20,779
Interest revenue calculated using the effective interest method		2,012	510
Change in fair value of biological assets	18	(71,352)	(346,057)
Expenses			
Operating expenses	7	(287,799)	(270,049)
Employee benefits expense		(72,566)	(89,368)
Depreciation and amortisation expense		(9,970)	(10,334)
Net impairment loss of right-of-use assets		(302)	(3,517)
Net impairment loss of property, plant and equipment assets		(2,743)	(22)
Fair value gains/(loss) on revaluation of assets		2,229	(2,496)
Net impairment gains/(loss) on financial and contract assets		125	(733)
Finance costs	8	(4,427)	(5,316)
Loss before income tax benefit		(51,249)	(300,443)
Income tax benefit	9	14,629	89,524
Loss after income tax benefit for the year attributable to the owners of Forestry Corporation of New South Wales		(36,620)	(210,919)
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss			
Net gain/(loss) on the revaluation of assets, net of tax		38,646	(8,887)
Actuarial gain/(loss) on defined benefit plans, net of tax		16,813	5,944
Other comprehensive income/(loss) for the year, net of tax		55,459	(2,943)
Total comprehensive income/(loss) for the year attributable to the owners of Forestry Corporation of New South Wales		18,839	(213,862)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Statement of financial position

As at 30 June 2021

	Note	30 June 2021 $'000	30 June 2020 $'000
Assets			
Current assets			
Cash and cash equivalents	10	120,110	98,662
Trade and other receivables	13	56,239	61,857
Inventories	14	5,205	4,283
Biological assets	15	61,581	85,497
Total current assets		243,135	250,299
Non-current assets			
Property, plant and equipment	16	1,141,668	1,083,708
Right-of-use assets	17	1,749	1,820
Biological assets	18	691,997	739,433
Investment properties	19	4,903	4,995
Intangibles	20	515	520
Total non-current assets		1,840,832	1,830,476
Total assets		2,083,967	2,080,775
Liabilities			
Current liabilities			
Trade and other payables	21	51,804	44,688
Contract liabilities	22	10,853	12,573
Borrowings	23	21,341	21,408
Lease liabilities	25	441	575
Provisions	26	29,548	30,280
Income tax		-	307
Total current liabilities		113,987	109,831
Non-current liabilities			
Borrowings	27	64,478	64,724
Lease liabilities	28	4,089	4,209
Provisions	29	4,896	1,984
Retirement benefit obligations	40	63,435	85,527
Deferred tax	30	481,379	481,964
Total non-current liabilities		618,277	638,408
Total liabilities		732,264	748,239
Net assets		1,351,703	1,332,536
Equity			
Contributed equity	31	491,706	491,706
Reserves	32	745,079	707,247
Retained profits		114,918	133,583
Total equity		1,351,703	1,332,536

The above statement of financial position should be read in conjunction with the accompanying notes

Statement of changes in equity

For the year ended 30 June 2021

	Contributed equity $'000	Reserve for deferred tax asset $'000	Asset revaluation reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2019	445,706	50,092	666,596	337,521	1,499,915
Loss after income tax benefit for the year	-	-	-	(210,919)	(210,919)
Other comprehensive income/(loss) for the year, net of tax	-	-	(8,887)	5,944	(2,943)
Total comprehensive loss for the year	-	-	(8,887)	(204,975)	(213,862)
Transfer of Asset Revaluation to Retained Profit	-	-	(876)	876	-
Equity injection	46,000	-	-	-	46,000
Reversal of deferred tax liability on disposal of assets	-	-	263	-	263
Transactions with owners in their capacity as owners:					
Land revocation and transferred to NSW State agency, net of tax	-	-	(161)	161	-
Land dedication and transferred from NSW State agency, net of tax	-	-	246	-	246
Reversal of deferred tax liability on disposal of assets	-	-	(26)	-	(26)
Balance at 30 June 2020	491,706	50,092	657,155	133,583	1,332,536

	Contributed equity $'000	Reserve for deferred tax asset $'000	Asset revaluation reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2020	491,706	50,092	657,155	133,583	1,332,536
Loss after income tax benefit for the year	-	-	-	(36,620)	(36,620)
Other comprehensive income for the year, net of tax	-	-	38,646	16,813	55,459
Total comprehensive income/(loss) for the year	-	-	38,646	(19,807)	18,839
Transfer of Asset Revaluation to Retained Profit	-	-	(814)	1,142	328
Balance at 30 June 2021	491,706	50,092	694,987	114,918	1,351,703

The above statement of changes in equity should be read in conjunction with the accompanying notes

Statement of cash flows

For the year ended 30 June 2021

	Note	30 June 2021 $'000	30 June 2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		436,601	446,174
Payments to suppliers and employees (inclusive of GST)		(386,167)	(385,826)
Interest received		2,012	510
Interest and other finance costs paid		(4,853)	(5,378)
Income taxes paid		(13,384)	(19,032)
Net cash from operating activities	11	34,209	36,448
Cash flows from investing activities			
Payments for property, plant and equipment	16	(14,621)	(10,211)
Proceeds from disposal of property, plant and equipment		2,711	4,747
Net cash used in investing activities		(11,910)	(5,464)
Cash flows from financing activities			
Dividends paid		-	(32,592)
Repayment of lease liabilities		(851)	(677)
Equity injection	31	-	46,000
Net cash from/(used in) financing activities		(851)	12,731
Net increase in cash and cash equivalents		21,448	43,715
Cash and cash equivalents at the beginning of the financial year		98,662	54,947
Cash and cash equivalents at the end of the financial year	10	120,110	98,662

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements of the Forestry Corporation of New South Wales (the Corporation) are presented in Australian dollars, which is the Corporation's functional and presentation currency.

The Corporation is a New South Wales (NSW) state owned corporation, incorporated and domiciled in Australia. Its registered office and principal place of business are:

121-131 Oratava Avenue, West Pennant Hill, NSW 2125

The Corporation's principal activities involve tree planting and regeneration operations, planning and managing harvest operations and marketing and delivering timber products.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 14 September 2021.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

This general purpose 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 Corporation is a for-profit entity and its financial statements are consolidated as part of the NSW Total State Sector Accounts.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of certain forest, non-forest assets, land, investment properties, onerous contracts and employee benefits provisions which are accounted at fair value.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Revenue recognition

Revenue is recognised at the amount that reflects the consideration to which the Corporation is expected to be entitled in exchange for transferring control of goods or services to a customer. The transaction price takes into account estimates of variable consideration such as discounts and refunds as well as the time value of money. Revenue is recognised when or as each separate performance obligation is satisfied.

Sale of timber and related activities

Revenue from the sale of timber and other forest products is recognised at the point in time when product is delivered to the customer. Timber is delivered in accordance with the specifications in the sales contract, such as log length, diameter and species, and delivery is confirmed. Delivery in accordance with the contract denotes acceptance by the customer and confirms that the performance obligations are met for the revenue recognition to occur.

Sales of permits and other forest management services

Revenue from permits and forest management services is recognised over a period of time. Revenue is typically received in advance, with the amount received representing a net present value aligned with individual contractual arrangements. Revenue is then recognised on an activity basis when the transfer of services to the customer occurs. Estimates of revenues, costs, or extent of progress towards completion are revised if circumstances change.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rent income

Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Contingent rentals are recognised as income in the period when earned.

Other Services

Other revenue is recognised when it is received or when the right to receive payment is established once performance obligations are completed.

Grants

Government grants income and expenses are disclosed separately in the financial statements.

Income tax

The Corporation operates in accordance with the National Tax Equivalent Regime (NTER), under which 'equivalent' taxes are payable to the NSW Government through the Revenue NSW. The NTER closely mirrors the Commonwealth Income Tax Assessment Acts of 1936 and 1997 (as amended) and is administered by the Australian Taxation Office (ATO).

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate, adjusted for changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Corporation's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in a normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short and medium term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For purposes of the statement of cash flows, cash includes restricted security deposits, deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement on 7, 14 or 30 days settlement terms.

The Corporation's trade and other receivables are subject to ongoing review for indicators of impairment. For receivables found to be impaired, an allowance for credit losses is recognised within other expenses. For receivables found to be uncollectable, the carrying value is directly reduced, and a bad debt recognised within other expenses.

Inventories

Inventories including work in progress (WIP) are stated at the lower of cost and net realisable value. In the case of materials and parts, cost comprises purchase price and incidental expenses. The valuation of WIP and finished goods is based on direct costs and an appropriate proportion of production overheads.

Seeds harvested from biological assets are measured at fair value less estimated point of sale costs at the time of harvest. If market determined prices are not available, seeds are measured at value in use.

Investment properties

Investment properties principally comprise freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the Corporation. The Corporation does not actively trade or engage in the investment property market. Offices and building sites that are surplus to the Corporation's requirements are leased out to generate rental income.

Investment properties are initially recognised at cost, including transaction costs, and are subsequently measured at fair value. Movements in fair value are recognised directly in the statement of profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Transfers between the classification of investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on the date of change of use.

Intangibles

Intangible assets comprise two assets – a right of access land easement and capitalised software cost. Intangibles are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually.

Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Property, plant and equipment

The Corporation's property, plant and equipment is governed by NSW Treasury's accounting policy TPP06-6 for capitalisation.

Items of property, plant and equipment are initially measured at their cost, and are subsequently measured at their fair value in accordance with NSW Treasury's accounting policy TPP14-01 'Valuation of Physical Non-Current Assets at Fair Value'. This policy adopts fair value in accordance with AASB 13 'Fair Value Measurement' and AASB 116 'Property, Plant and Equipment'. A fair value assessment of Property, Plant and Equipment has been carried out in accordance with TPP14-01 in the 2019 financial year. The next comprehensive valuation will be carried out in the 2022 financial year. In the intervening years, fair market indices are used to identify whether an interim revaluation is required. The cumulative indices movement for land and transport equipment was assessed as significant in the 2021 financial year and as a result, land was revalued based on market indices and transport equipment was revalued based on an assessment of the market value by comparison to actual sales data for the same or similar assets. Revaluation changes are disclosed in note 16.

Revaluation increments for each class of asset are credited to the asset revaluation reserve within the statement of other comprehensive income. Revaluation decrements are initially recognised in the statement of other comprehensive income to the extent of a previous revaluation surplus of the same asset. Thereafter the decrements are recognised in the statement of profit or loss.

Physical non-current assets or parts of an asset costing more than $5,000 individually are capitalised. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and any costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment. Borrowing costs related to the acquisition, construction or production of qualifying assets are capitalised.

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

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	10 to 50 years
Plant & Equipment	3 to 50 years
Road and Bridges-earthworks	50 years
Road and Bridges-pavements	10 to 30 years
Bridges-Concrete and Steel Crossing	50 to 100 years

Intangibles:

Software	5 years
Right of Access Easement	Indefinite

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Corporation. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Biological assets

Biological assets are measured at their fair value less estimated costs to sell in accordance with AASB 13 Fair Value Measurement and AASB 141 Agriculture. The Corporation's biological assets primarily consist of plantation timber (softwood).

Softwood

The Corporation manages approximately 225,000 (2020:230,000) hectares of softwood plantations.

The plantation estate valuation was independently valued this year. The independent valuer has applied a market-based valuation approach, which involves a combination of the sales comparison method and income approach under a discounted cash flow framework.

Key assumptions used in the sales comparison approach include:

- Weighting adjustments applied to the selected comparable market transactions
- Net cash flows from the Softwood estate discounted with an implied discount rate

Key assumptions used in the income approach include:

- Growth and yield
- Forest management, production, sales, general, administrative and land holding costs
- Log and wood products markets and prices
- Discount rate calculation - evidence based and theoretical costs of capital

The net increment or decrement in the value movement of the softwood plantation estate has been recognised in the statement of financial performance and the statement of comprehensive income.

Hardwood

The Corporation manages approximately 34,000 (2020: 34,000) hectares of hardwood plantations and approximately 1,901,000 (2020:1,901,000) hectares of native forests.

Hardwood assets are currently impaired, and the tree crop value is not recognised in the financial statements. Related assets, except for land, are fully impaired.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the depreciation / amortisation method or period.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

The Corporation carries an impairment provision for its substantial Hardwood assets relating to property, plant and equipment, excluding land. The Corporation also carries a revaluation reserve for the portion of Softwood roads and bridges relating to public use.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities

Contract liabilities represent the Corporation's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Corporation recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Corporation has transferred the goods or services to the customer.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Corporation expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The Corporation has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Guarantee fee

The Corporation is required to pay an annual Government Guarantee Fee to NSW Treasury relative to the amount of loans at balance date, based upon the differential between an independently assessed, stand alone, credit rating for the Corporation and the NSW Government's AAA rating. The actual fee payable is calculated using factors provided by NSW Treasury each year.

This guarantee fee is expensed in the period in which it is incurred.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on short-term and long-term borrowings
- interest cost of significant financing
- amortisation of discounts or premiums relating to borrowings and
- government guarantee fees
- interest cost on lease liabilities.

Provisions

Provisions are recognised when the Corporation has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be wholly settled within 12 months of the reporting date are recognised in current liabilities for employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Sick leave is non-vesting and is expensed as incurred.

Other long-term employee benefits

Long-term employee benefits are all employee benefits other than short-term employee benefits and are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability for more than 12 months. The liability is measured as the present value of expected future payments to be made for services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on a high quality corporate bond rate with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation schemes

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 an employee benefit expense in determining profit or loss in the periods during which services are rendered by employees.

Defined benefit superannuation schemes

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. In the NSW public service, defined benefit schemes (which are called the Pooled Fund Schemes) include the:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-Contribution Superannuation Scheme (SANCS - Basic Benefit)

The Corporation's net obligation for 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; this benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. Expected future payments are discounted using market yields at reporting date on high quality corporate bonds. Terms to maturity and currency match as closely to the estimated future cash outflows.

Calculations are performed by the Pooled Fund's actuary. When the calculation results in a benefit to the Corporation, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Corporation. An economic benefit is available to the Corporation if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the calculation of profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the calculation of profit or loss.

The Corporation recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all other expenses related to defined benefit plans in employees and related expenses in profit or loss.

The Corporation recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

Termination benefits

Termination benefits are recognised as an expense when the Corporation is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Corporation has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Contributed equity

Contributed equity represents the NSW Government's investment in the Corporation.

Dividends

The dividends are calculated on adjusted net profit after tax in accordance with NSW Treasury's accounting policy TPP14-4 Financial Distribution Policy for Government Businesses and recognised as a payable only when the shareholding ministers accept the dividends recommended by the Board of Directors. The Board of Directors has requested a dividend exemption for the financial year ending 30 June 2021, which has been accepted by NSW Treasury.

Goods and Services Tax (GST) and other similar taxes

Revenues, expenses, and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

All values in the financial statements are rounded to the nearest thousand dollars unless otherwise stated.

Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's presentation. These amendments have no material impact and were made for comparative purposes only.

Note 3. New Accounting Standards and Interpretations adopted

AASB 1059 Service Concession Arrangement

The standard did not have any impact on the amounts recognised in the prior period and are not expected to significantly affect the current and future periods.

Note 4. Critical accounting adjustments, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on various factors. These include expectations of future events which management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

COVID-19

Forestry Corporation has been mitigating the impact from COVID-19 by enabling flexible working arrangements so staff can work from home, while field operations continue to be carried out in the forests. The Corporation has been vigilant in monitoring staff health and welfare throughout the period and providing assistance when needed. From an operational perspective, during the financial year, the housing market has seen a strong recovery and the Corporation is expecting this to continue over the next 6-12 months, supported by housing demand and low interest rates. The longer-term implication of the pandemic on the housing market is difficult to judge at this stage.

Management has undertaken reviews of the potential impact of COVID-19 on its operations and the balance sheet in areas such as asset impairment, change in fair value of assets, provisions for onerous contracts and assessment of going concern. Consequently, management is of the view that there are no significant impacts on the financial statements as at 30 June 2021.

Bushfire impact

The unprecedented bushfires of 2019/20 has had a significant and long-term impact on Forestry Corporation. With approximately a quarter of its softwood plantations estate lost in the fires, the Corporation recorded a loss of $371 million of its biological assets in last year's financial statements.

In the current financial year, the Corporation has made significant investments in rectifying damaged infrastructure, expanding its nurseries to cater for additional seedling production and accelerating replanting activities to restock the estate over the next 6 to 7 years. In April 2020, the Corporation received $46 million of equity funding as part of the NSW Government's stimulus funding, which has assisted in the fire recovery efforts.

The Corporation carried out an extensive fire-salvage program to recover burnt trees in its softwoods estate, which has produced close to five million tonnes of wood and contributed significantly to the local economies. With this program coming to an end, the Corporation has had to reset customer and supplier contracts to reduced volumes from the start of the new financial year. The Corporation has also estimated long-term sustainable wood supply availability following the fires, the impact of which are lower levels of timber volume and related sales over the next several years across its softwoods and hardwoods operations. Unfortunately the lower volumes will be at a time where the current demand outlook is high.

The fire-recovery program, which includes the rebuilding of burnt roads and bridges and re-establishing lost plantations will take several years to complete at an estimated cost of $150-200 million in total.

Climate Change

Forestry Corporation acknowledges the impact of climate change on the long-term sustainability of the forests. The key areas of risk are intense and prolonged bushfires, floods, droughts, impact on forest health, biodiversity and tree growth. Identifying and establishing controls to mitigate these risks are central to the Corporation's risk management strategy and is a key feature in its strategic plan. Key initiatives around early fire detection, redesigning plantations and fuel load management are pre-emptive controls for bushfire risk, while the Corporation invests in research and development on monitoring forest health and biodiversity for long-term sustainability.

The Intergovernmental Panel on Climate Change recognises forestry as a climate change mitigation activity, and Forestry Corporation tracks and reports on carbon balance as well as energy use and contribution to carbon emissions in its annual Sustainability Report. Research into the effect and mitigation of climate change is undertaken by the broader industry research bodies, which the Corporation participates in.

Fair value measurement hierarchy

The Corporation is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

Allowances for expected credit losses

AASB 9 requires an entity to recognise a loss allowance for expected credit losses on financial assets. Examples of financial assets include a lease receivable, contract asset, trade receivable, loan commitment and financial guarantee.

The key impact for the Corporation is on trade receivables. The trade receivables impairment model measures the expected credit losses using a probability-weighted estimate of credit losses over the expected life of the financial asset. The impairment model considers a broad 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 asset.

Some key model considerations for the Corporation include:

- The short dated nature of the debts
- The financial standing of customers
- The security coverage over the contracts
- The housing market – current and forecast

Estimation of useful lives of assets

The Corporation determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of property, plant and equipment

The Corporation assesses impairment of property, plant and equipment at each reporting date by evaluating conditions specific to the Corporation and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date is recognised and measured at the present value of the estimated future cash flows to be made for all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Superannuation defined benefit liability

As discussed in note 2, the liability for the defined benefit superannuation plans is measured at the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost as determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. The actuarial valuations are sensitive to these assumptions (refer to note 40).

Note 5. Revenue

	30 June 2021 $'000	30 June 2020 $'000
Sales revenue from contracts with customers		
Forest products	355,714	365,049
Miscellaneous forests products	6,075	5,690
Permits and licence fees	3,772	3,358
Other forestry management services	2,492	3,920
	368,053	378,017
Other revenue		
Other services rendered	3,707	3,029
Section 44 reimbursements	96	22,488
Rent income from investment properties	399	379
Other rental	2,335	2,247
	6,537	28,143
Revenue	374,590	406,160

	30 June 2021 $'000	30 June 2020 $'000
Timing of sales revenue recognition		
Goods transferred at a point in time	361,789	370,739
Services transferred over time	6,264	7,278
	368,053	378,017

Note 6. Other income

	30 June 2021 $'000	30 June 2020 $'000
Amortisation - Premium on borrowings	312	321
Grants revenue - community service obligations	16,854	16,826
Net gain on disposal of investment assets	-	350
Grants revenue - other state government grants	626	864
Net gain/(loss) on disposal of non-current assets	1,162	2,418
Other income	18,954	20,779

Community Service Obligations (CSO)

The Corporation incurred $16,857,000 (2020: $17,461,000) costs against grants revenue which included provision of recreation facilities, education and advisory services, government liaison and regulatory services, community fire protection and research. Any unspent CSO grants are carried forward to the next financial year for on-going projects. The costs are included in operating expenditure in Note 7.

Note 7. Operating expenses

	30 June 2021 $'000	30 June 2020 $'000
Contract harvest and haulage	186,640	187,339
External contractor costs	61,029	50,756
Other operating expenses	15,782	9,463
Materials	16,289	13,549
Occupancy costs other than long term leases	1,637	1,727
Forest management and licence costs	686	538
Travel and accommodation	1,248	1,884
Communication and computer costs	3,267	3,780
Insurance and state taxes	1,221	1,013
	287,799	270,049

Note 8. Expenses

	30 June 2021 $'000	30 June 2020 $'000
Loss before income tax includes the following specific expenses:		
Finance costs		
Government guarantee fee	1,472	1,667
Interest expenses	2,733	3,261
Lease interest	273	300
Other finance costs	(51)	88
Finance costs expensed	4,427	5,316
Superannuation expense		
Defined contribution superannuation expense	4,563	4,650
Defined benefit employer contributions	1,118	1,165
Total superannuation expense	5,681	5,815

Refer to note 40 for Defined benefit superannuation expense.

Note 9. Income tax benefit

	30 June 2021 $'000	30 June 2020 $'000
Income tax benefit		
Current tax	9,375	16,468
Deferred tax - origination and reversal of temporary differences	(24,004)	(105,992)
Aggregate income tax benefit	(14,629)	(89,524)
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(51,249)	(300,443)
Tax at the statutory tax rate of 30%	(15,375)	(90,133)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	13	100
Non-deductible loss on disposals	-	51
Non-deductible revaluation	349	260
Prior year adjustment	384	198
Income tax benefit	(14,629)	(89,524)

	30 June 2021 $'000	30 June 2020 $'000
Amounts charged/(credited) directly to equity		
Deferred tax liabilities (note 30)	23,419	(1,498)

Note 10. Current assets - cash and cash equivalents

	30 June 2021 $'000	30 June 2020 $'000
Cash on hand	-	6
Cash at bank	26,373	90,805
NSW Treasury Corporation TCorpIM Funds	93,737	7,851
	120,110	98,662

Note 11. Reconciliation of loss after income tax to net cash from operating activities

	30 June 2021 $'000	30 June 2020 $'000
Loss after income tax benefit for the year	(36,620)	(210,919)
Adjustments for:		
Depreciation and amortisation	9,970	10,334
Impairment of non-current assets	2,743	22
Impairment of right-of-use assets	302	3,517
Impairment of financial and contract assets	(125)	-
Fair value changes (gains/loss) on assets revaluations	(2,229)	2,496
Net gain on disposal of investment properties	302	(350)
Net gain/(loss) on disposal of property, plant and equipment	860	(2,418)
Change in fair value of biological assets	71,352	346,057
Other non-cash item	1,898	3,513
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	9,321	(12,138)
Increase in inventories	(922)	(789)
Increase in trade and other payables	5,396	6,257
Decrease in provision for income tax	(4,010)	(2,564)
Decrease in deferred tax liabilities	(24,004)	(107,490)
Increase/(decrease) in other provisions	(25)	920
Net cash from operating activities	34,209	36,448

Note 12. Changes in liabilities arising from financing activities

	Short-term borrowings $'000	Long-term borrowings $'000	Total $'000
Balance at 1 July 2019	21,700	64,753	86,453
Other changes	(292)	(29)	(321)
Balance at 30 June 2020	21,408	64,724	86,132
Other changes	(60)	(246)	(306)
Balance at 30 June 2021	21,348	64,478	85,826

Note 13. Current assets - trade and other receivables

	30 June 2021 $'000	30 June 2020 $'000
Trade receivables	39,650	48,771
Less: Allowance for expected credit losses	(121)	(290)
	39,529	48,481
Other debtors	8,936	10,077
Less: Allowance for expected credit losses	(475)	(443)
	8,461	9,634
Prepayments	4,546	3,742
Income tax refund due	3,703	-
	56,239	61,857

Allowance for expected credit losses

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	30 June 2021 $'000	30 June 2020 $'000
0 to 3 months overdue	596	733

Movements in the allowance for expected credit losses are as follows:

	30 June 2021 $'000	30 June 2020 $'000
Opening balance	733	-
Additional provisions recognised	(137)	733
Closing balance	596	733

Note 14. Current assets - inventories

	30 June 2021 $'000	30 June 2020 $'000
Work in progress and finished goods	5,205	4,283

Note 15. Current assets - biological assets

	30 June 2021 $'000	30 June 2020 $'000
Biological assets at fair value	61,581	85,497

The valuation of biological assets ("standing timber") is an accounting valuation carried out under AASB 141 Agriculture, and requires management to make certain judgements and estimates about its carrying value as outlined in note 2.

Refer to note 18 for reconciliation of movements in the current biological assets.

Refer to note 34 for further information on fair value measurement.

Note 16. Non-current assets - property, plant and equipment

	30 June 2021 $'000	30 June 2020 $'000
Land	1,039,336	989,671
Buildings	22,252	21,574
Less: Accumulated depreciation	(11,811)	(11,318)
	10,441	10,256
Plant and equipment	42,870	33,409
Less: Accumulated depreciation	(15,688)	(9,923)
	27,182	23,486
Roads and bridges	145,021	142,237
Less: Accumulated depreciation	(86,266)	(81,324)
Less: Impairment	(953)	(953)
	57,802	59,960
Property work in progress - at cost	6,907	335
	1,141,668	1,083,708

Reconciliation

Movements in the written down values of previous and current financial years are set out below:

	Land $'000	Buildings $'000	Plant and equipment $'000	Roads and bridges $'000	Capital work in progress $'000	Total $'000
Balance at 1 July 2019	989,623	11,054	22,142	77,933	147	1,100,899
Additions	-	-	-	-	10,211	10,211
Disposals	(284)	-	(1,144)	-	-	(1,428)
Transfer from NSW State agencies	80	-	-	-	-	80
Revaluation decrements	-	-	-	(15,192)	-	(15,192)
Transfer from work in progress	252	241	9,030	-	(10,023)	(500)
Reclassification to intangibles	-	-	(21)	-	-	(21)
Impairment of assets	-	(22)	-	-	-	(22)
Transfers to investment properties	-	(77)	-	-	-	(77)
Depreciation expense	-	(940)	(6,521)	(2,781)	-	(10,242)
Balance at 30 June 2020	989,671	10,256	23,486	59,960	335	1,083,708
Additions	-	-	-	-	14,621	14,621
Disposals	(590)	(47)	(634)	-	-	(1,271)
Transfer from NSW State agencies	133	-	-	-	-	133
Revaluation increments	50,147	-	7,010	-	-	57,157
Transfer from work in progress	-	1,106	4,159	2,784	(8,049)	-
Impairment of assets	(25)	62	-	(2,783)	-	(2,746)
Transfers to investment properties	-	(62)	-	-	-	(62)
Depreciation expense	-	(874)	(6,839)	(2,159)	-	(9,872)
Balance at 30 June 2021	1,039,336	10,441	27,182	57,802	6,907	1,141,668

Refer to note 34 for further information on fair value measurement.

Note 17. Non-current assets - right-of-use assets

	30 June 2021 $'000	30 June 2020 $'000
Land and buildings - right-of-use	5,687	5,428
Less: Accumulated depreciation	(186)	(91)
Less: Impairment	(3,752)	(3,517)
	1,749	1,820

Reconciliation

Movements in the written down values for the current financial year is set out below:

	Right-of-use assets $'000
Balance at 1 July 2019	5,400
Revaluation increments	61
Adjustment	(33)
Impairment of assets	(3,517)
Depreciation expense	(91)
Balance at 30 June 2020	1,820
Additions	259
Impairment of assets	(235)
Depreciation expense	(95)
Balance at 30 June 2021	1,749

Note 18. Non-current assets - biological assets

	30 June 2021 $'000	30 June 2020 $'000
Biological assets at fair value	691,997	739,433

Reconciliation

Reconciliation of the biological assets (current and non-current):

	Biological assets $'000
Balance at 1 July 2019	1,170,987
Harvested timber recognised in profit or loss	(49,055)
Estimated loss due to bushfire	(371,390)
Changes in fair value less estimated point of sale costs recognised in profit or loss due to:	-
- change in the discount rate	(169,750)
- changes in volumes, prices, and markets	244,138
Balance at 30 June 2020	824,930
Harvested timber recognised in profit or loss	(65,604)
Changes in fair value less estimated point of sale costs recognised in profit or loss due to:	-
- change in the discount rate	(3,555)
- changes in volumes, prices, and markets	(2,193)
Balance at 30 June 2021	753,578

The valuation of biological assets ("standing timber") is an accounting valuation carried out under AASB 141 Agriculture and requires management to make certain judgements and estimates about its carrying value as outlined in note 2.

Refer to note 34 for further information on fair value measurement.

Note 19. Non-current assets - investment properties

	30 June 2021 $'000	30 June 2020 $'000
Investment properties	4,903	4,995

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	4,995	5,268
Net transfers (to)/from property, plant and equipment	62	77
Disposals	(154)	(350)
Closing fair value	4,903	4,995

Valuations of investment properties

The basis of the valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment. For the 2019 financial year, a comprehensive valuation of investment properties was conducted by an independent valuer in accordance with NSW Treasury's accounting policy TPP14-01 'valuation of physical non-current assets at fair value', AASB 13 'Fair Value Measurement' and AASB 140 'Investment properties'. The next valuation will be in 2022.

Refer to note 34 for further information on fair value measurement.

Lease commitments (income)

	30 June 2021 $'000	30 June 2020 $'000
Minimum lease commitments receivable but not recognised in the financial statements:		
1 year or less	245	219
Between 1 and 5 Years	293	387
	538	606

Amount disclosed as lease commitments includes GST of $49,000 (2020: $54,000) payable to the Australian Taxation Office.

Note 20. Non-current assets - intangibles

	30 June 2021 $'000	30 June 2020 $'000
Software - at cost	21	21
Less: Accumulated amortisation	(6)	(1)
	15	20
Right of access land easement	500	500
	515	520

Reconciliation

Movements of the written down values for the current financial year is set out below:

	Software $'000	Right of access land easement $'000	Total $'000
Balance at 1 July 2019	-	-	-
Additions	21	500	521
Amortisation expense	(1)	-	(1)
Balance at 30 June 2020	20	500	520
Amortisation expense	(5)	-	(5)
Balance at 30 June 2021	15	500	515

Note 21. Current liabilities - trade and other payables

	30 June 2021 $'000	30 June 2020 $'000
Trade creditors	42,716	38,163
Other current liabilities	9,088	6,525
	51,804	44,688

Refer to note 33 for further information for financial instruments.

Note 22. Current liabilities - contract liabilities

	30 June 2021 $'000	30 June 2020 $'000
Contract liabilities	10,853	12,573

Reconciliation

Movements of the contract liabilities at the beginning and end of the current and previous financial year are set out below:

Opening balance	12,573	13,003
Contract liabilities incurred in the current period	12,136	11,814
Revenue recognised from performance obligation satisfied	(13,856)	(12,244)
Closing balance	10,853	12,573

Note 23. Current liabilities - borrowings

	30 June 2021 $'000	30 June 2020 $'000
NSW Treasury Corporation loans	21,341	21,408

Refer to note 33 for further information on financial instruments.

Note 24. Current liabilities - dividend provided

The Board of Directors has recommended that no dividend be paid for the financial year ending 30 June 2021.

Note 25. Current liabilities - lease liabilities

	30 June 2021 $'000	30 June 2020 $'000
Lease liability	441	575

Refer to note 33 for further information on financial instruments.

Refer to note 28 for reconciliation of movements in the current lease liabilities.

Note 26. Current liabilities - provisions

	30 June 2021 $'000	30 June 2020 $'000
Employee benefits	29,328	29,518
Workers compensation	220	762
	29,548	30,280

Employee benefits

The provision for employee benefits comprises annual leave, long service leave and other employee benefits.

Workers compensation

The provision represents the estimated costs of workers compensation liability in accordance with Work Cover legislation.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

30 June 2021	Workers compensation $'000
Carrying amount at the start of the year	762
Amounts used	(542)
Carrying amount at the end of the year	220

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Corporation does not have an unconditional right to defer settlement. However, based on past experience, employees are not expected to take the full amount of accrued leave or require payment within the next 12 months and the employee benefit obligation not expected to be settled within the next 12 months is $21,474,520 (2020: $22,065,335).

Note 27. Non-current liabilities - borrowings

	30 June 2021 $'000	30 June 2020 $'000
NSW Treasury Corporation loans	64,478	64,724

Refer to note 33 for further information on financial instruments

Note 28. Non-current liabilities - lease liabilities

	30 June 2021 $'000	30 June 2020 $'000
Lease liabilities	4,089	4,209

Reconciliation

Reconciliation of the lease liabilities (current and non-current):

	30 June 2021 $'000	30 June 2020 $'000
Opening balance	4,784	5,400
Interest expense (included in finance cost)	273	300
Payments of lease liabilities	(851)	(977)
Revaluation increment	125	61
New leases	199	-
Closing balance	4,530	4,784

Refer to note 33 for further information on financial instruments.

Note 29. Non-current liabilities - provisions

	30 June 2021 $'000	30 June 2020 $'000
Employee benefits	3,692	890
Onerous contracts	318	343
Workers compensation	886	751
	4,896	1,984

Employee benefits

The provision for employee benefits is the Corporation's liability for long service leave.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Corporation from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Onerous contracts provision is the present value estimation of the net future income/(expenses) expected to be generated from existing contracts.

Workers compensation

The provision represents the estimated costs of workers compensation liability in accordance with WorkCover legislation.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

30 June 2021	Onerous contracts $'000	Workers compensation $'000
Carrying amount at the start of the year	343	751
Additional provisions recognised	-	135
Amounts used	(25)	-
Carrying amount at the end of the year	318	886

Note 30. Non-current liabilities - deferred tax

	30 June 2021 $'000	30 June 2020 $'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Biological assets	212,829	234,235
Provisions	(7,923)	(7,863)
Others	(2,178)	(218)
	202,728	226,154
Amounts recognised in equity:		
Revaluation of property, plant and equipment	297,681	281,468
Retirement benefit obligations	(19,030)	(25,658)
	278,651	255,810
Deferred tax liability	481,379	481,964
Movements:		
Opening balance	481,964	589,454
Credited to profit or loss (note 9)	(24,004)	(105,992)
Charged/(credited) to equity (note 9)	23,419	(1,498)
Closing balance	481,379	481,964

Note 31. Equity - contributed equity

	30 June 2021 $'000	30 June 2020 $'000
Capital contribution	491,706	491,706

Ordinary shares

The Corporation's capital comprises two (2) fully paid $1.00 ordinary shares issued to:

- The Minister for Finance and Small Business; and
- The Treasurer.

Each shareholder holds their share non-beneficially on behalf of the NSW Government. The shares entitle the NSW Government to a dividend from the Corporation, the amount of which is determined as part of the annual process of negotiating and agreeing the Corporation's Statement of Corporate Intent with the shareholders.

Capital contributions

Contributed equity represents the NSW Government's investment in the Corporation. There were no changes in the year ended 30 June. In the prior financial year, the NSW Government contributed $46 million as part of a wider stimulus package.

Capital management policy

The Corporation is a for-profit entity and operates under the guidelines and policies set up by NSW Treasury. It is management practice and policy to maintain a strong capital base to sustain future development of the business. The Board and senior management monitor the return on capital as well as the level of debt and dividends payable to NSW Treasury.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

Note 32. Equity - reserves

	30 June 2021 $'000	30 June 2020 $'000
Asset revaluation reserve	694,987	657,155
Reserve for deferred tax assets	50,092	50,092
	745,079	707,247

Asset revaluation reserve

The reserve is used to recognise increments and decrements in the fair value of property, plant and equipment, excluding investment properties. Refer to the Statement of Changes in Equity for movements in the asset revaluation reserve during the year.

Reserve for deferred tax assets

A specific reserve was created in 2013 for the initial recognition of deferred tax asset for employee benefits.

Note 33. Financial instruments

Financial risk management objectives

The Corporation's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Corporation.

This note presents information about the Corporation's exposure to each of the above risks and the objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Board of Directors of the Corporation has overall responsibility for the establishment and oversight of risk management. The Audit and Risk Committee (sub-committee of the Board) endorses the policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Corporation, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Compliance with policies is reviewed and audited on a continuous basis.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation's exposures to market risk are primarily through interest rate risk on the agency borrowings and other price risks associated with the movement in the unit price of the TCorpIM Funds. The Corporation has only minimal exposure to foreign currency risk and does not enter into commodity contracts.

Interest rate risk

Exposure to interest rate risk arises primarily through the Corporation's interest-bearing liabilities and investment in TCorpIM Funds trust. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with The NSW Treasury Corporation (NSW TCorp.). The Corporation does not account for any fixed rate financial instruments at fair value through the Statement of Comprehensive Income. Therefore, for these financial instruments, a change in interest rates would not affect the Statement of Comprehensive Income or equity. The agency exposure to interest rate risk is set out below.

The Corporation only holds units in the TCorpIM Funds trust. This trust only invests in cash and money market instruments that have an investment horizon up to 7 years (2020: 3 years).

The unit price of each facility is equal to the total fair value of net assets held by the facility divided by the total number of units on issue for that facility. Unit prices are calculated and published daily. NSW TCorp. as trustee for each of the facilities is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. NSW TCorp. has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. However, NSW TCorp. acts as manager for part of the Cash Facility. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the TCorpIM Funds limits the Corporation's exposure to risk, as it allows diversification across a pool of funds, with different investment horizons and a mix of investments.

NSW TCorp. provides sensitivity analysis information for each of the facilities, using historically based volatility information. The NSW TCorp. TCorpIM Funds are designated at fair value and therefore any change in unit price impacts directly on profit (rather than equity).

Interest rate sensitivity

The NSW TCorp. TCorpIM Funds are subject to floating interest rates between (0.06%) and 2.59% (2020:1.14% and 1.82%). An official increase/decrease in interest rate of +/- 10% (2020:1%) for $ $1,000,000.00 invested would have an adverse/favourable effect of +/- $100,000 (2020 after tax:$603,000).

Credit risk

Credit risk arises when there is the possibility of the Corporation's debtors defaulting on their contractual obligations, resulting in a financial loss to the Corporation. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment), as disclosed in the statement of financial position and notes to the financial statements.

Credit risk arises from the financial assets of the Corporation, including cash, receivables and authority deposits. Some collateral is held by the Corporation. The Corporation has not granted any financial guarantees.

The Corporation has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Corporation based on recent sales experience, historical collection rates and forward-looking information that is available.

Credit risk associated with the Corporation's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp. are guaranteed by the State and are AAA rated by Moody's

The credit risk on the financial assets of the Corporation has been recognised in the Statement of Financial Position at the carrying amount, net of any allowance for expected credit loss.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

The Corporation has a Credit Policy, which aims to mitigate the credit risk exposure from our sales customers. Customers are assessed for credit worthiness before payment and delivery terms are offered. The Corporation's review includes external ratings, when available, company searches, and trade references. Purchase limits are established, and customers are required to lodge suitable security for the estimated maximum credit exposure to its sales. The policy requires stringent credit assessment of customers before the granting of any unsecured credit.

The Corporation has established an allowance for impairment that represents its estimate of potential losses of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for losses that have been incurred but not yet identified. The collective loss allowance is based on historical data of payment statistics.

During the current year, credit risk has been heightened due to the bushfire and COVID-19 events. The Corporation has proactively managed customer exposure through implementation of payment plans and the use of frequent credit assessments. A substantial majority of our trade receivables are derived from sales to timber sawmills. Our 10 largest customers in each of the operating divisions, accounted for 86% of forests sales revenue for 2021 (2020: 83%). Additionally, these customers accounted for 85% of our accounts receivable as of 30 June 2021 (2020: 83%).

Liquidity risk

Vigilant liquidity risk management requires the Corporation to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due. The Corporation continuously manages this risk through monitoring future cash flows and maturities planning to ensure adequate holding of high-quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and other advances.

The Corporation manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral.

Remaining contractual maturities

The following table details the Corporation's remaining contractual maturity for its financial instrument liabilities. The tables show the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

30 June 2021	**Weighted average interest rate %**	**1 year or less $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Remaining contractual maturities $'000**
Non-derivatives						
Non-interest bearing						
Trade creditors	-	51,804	-	-	-	51,804
Interest-bearing - fixed rate						
Lease liabilities	5.90%	60	287	195	6,165	6,707
NSW TCorp. loans	3.06%	23,856	15,084	15,974	40,106	95,020
Total non-derivatives		75,720	15,371	16,169	46,271	153,531

30 June 2020	**Weighted average interest rate %**	**1 year or less $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Remaining contractual maturities $'000**
Non-derivatives						
Non-interest bearing						
Trade creditors	-	44,688	-	-	-	44,688
Interest-bearing - fixed rate						
Lease liabilities	5.90%	847	732	1,736	3,914	7,229
NSW TCorp. loans	3.43%	24,225	23,382	28,768	17,516	93,891
Total non-derivatives		69,760	24,114	30,504	21,430	145,808

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

The carrying values of cash and short-term deposits, trade receivables, trade payables and other current liabilities are equal to the fair value due to the short-term maturities of these instruments except for loans and borrowings.

The fair value measurements for interest bearing loan and borrowings of $88,388,000 (2020: $90,478,000) are determined by NSW TCorp. and have been categorised as Level 2 fair values using the observable curves combined with margins derived from appropriate benchmarks/comparators.

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the Corporation are as follows:

	30 June 2021		**30 June 2020**	
	Carrying amount $'000	**Fair value $'000**	**Carrying amount $'000**	**Fair value $'000**
Liabilities				
Borrowings	85,819	88,388	86,132	90,478
Lease liabilities	4,530	4,530	4,784	4,784
	90,349	92,918	90,916	95,262

Note 34. Fair value measurement

Fair value hierarchy

The following tables detail the Corporation's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability.

30 June 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land (including Crown and Freehold land)	-	1,039,336	-	1,039,336
Building	-	-	10,441	10,441
Plant and equipment	-	26,306	876	27,182
Roads and bridges	-	-	57,802	57,802
Investment properties	-	4,903	-	4,903
Intangible assets	-	-	515	515
Biological assets	-	-	753,758	753,758
Total assets	-	1,070,545	823,392	1,893,937

30 June 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land (including Crown and Freehold land)	-	989,671	-	989,671
Building	-	-	10,256	10,256
Plant and equipment	-	22,221	1,265	23,486
Roads and bridges	-	-	59,960	59,960
Investment properties	-	4,995	-	4,995
Intangible assets	-	-	520	520
Biological assets	-	-	824,930	824,930
Total assets	-	1,016,887	896,931	1,913,818

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3

As detailed in note 2, the valuation for non-current assets was conducted by a land and property valuer, covering land, roads, and building structures. The valuation techniques, inputs, and relationship of unobservable inputs in the fair value are provided below:

Land (includes Crown and Freehold Land), Investment properties and Plant and equipment (Level 2)

In determining the most appropriate measure of fair value for land and investment properties, the valuer considers a number of factors such as the principal (or most advantageous) market in which an orderly transaction would take place for the asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis, and the assumptions that a market participant would use when pricing the asset.

The valuer has taken into consideration all the restrictions, impediments and constraints, as well as the special attributes of the land. In the case of the Corporation, there is little to no potential for development other than that permitted by legislation. Thus the value is limited to the existing use which represents the highest and best use.

Plant and equipment, including heavy plant and vehicles, an independent valuer adopted market approach where fair value is determined using prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets.

Buildings, Roads and bridges and other plant and equipment (Level 3)

The valuer used depreciated replacement cost (DRC) method to perform a fair value assessment of the building, roads and bridges assets. The calculation for roads and bridges is based on forestry operation requirements. Key inputs for DRC are:

- Estimated construction cost for each type of structure.
- Estimated useful life for each type of structure.
- Assets condition as at valuation date.

The fair value would increase/(decrease) if construction cost and useful life for buildings, roads and bridges increase/(decrease).

Other plant and equipment including computer equipment are recognised at the cost of acquisition including handling and installation. These assets are assessed by management and it is considered that their depreciated net carrying amount closely approximates their market value less costs to sell.

Biological assets: Current standing timber (Level 3)

Softwood

Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the plantation. The cash flow projections include current crop (standing timber) from a single rotation. The expected net cash flows are discounted using appropriate discount rate.

The key inputs used:

- Current and estimated future timber market prices per tonne or square metre.
- Estimated yield per hectare or estimated timber projections.
- Current and industry benchmark direct and indirect costs.
- Discount rate of 9.13%

The estimated fair value would increase/(decrease) if:

- the current and estimated future timber market price was higher/(lower).
- the estimated yield per hectare or estimated timber projections were higher/(lower).
- the current and industry benchmark direct and indirect costs were lower/(higher).
- the discount rate was lower/(higher).

Level 3 assets

Movements in level 3 assets during the current and previous financial year are set out below:

	Plant and equipment $'000
Balance at 1 July 2019	1,626
Reclassification to intangibles	(21)
Depreciation charged to profit or loss	(575)
Transfer from work in progress	235
Balance at 30 June 2020	1,265
Transfer to level 2 transport equipment	(40)
Disposal	(2)
Depreciation charged to profit or loss	(482)
Transfer from work in progress	135
Balance at 30 June 2021	876

Movements in level 3 assets for Buildings and Roads and bridges are provided in note 16. Movements in level 3 assets for Intangible assets are provided in note 20.

Movements in level 3 assets for Biological assets are provided in note 18. The level 3 assets unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range (weighted average)	Sensitivity ($000)
2021			
a. Biological assets	(i) Discount rate	+/-1%	1% change would (decrease)/increase fair value by (58,597)/68,877
	(ii) Expected future sales values	+/- 5%	5% change would increase/(decrease) the fair value by 86,662/(86,662)
	(iii) Expected future costs	+/- 5%	5% change would (decrease)/increase the fair value by (53,365)/53,365
	(iv) Expected future changes in volume	+/- 5%	5% change would increase/(decrease) the fair value by 46,524/(46,524)
2020			
a. Biological assets	(i) Discount rate%	+/-1%	1% change would (decrease)/increase fair value by (54,912)/64,059
	(ii) Expected future sales values	+/- 5%	5% change would increase/(decrease) the fair value by 88,241/(88,241)
	(iii) Expected future costs	+/- 5%	5% change would (decrease)/increase the fair value by (54,431)/54,431
	(iv) Expected future changes in volume	+/- 5%	5% change would increase/(decrease) the fair value by 45,969/(45,969)

Note 35. Key management personnel disclosures

Directors

The following persons were Directors of Forestry Corporation of New South Wales during the financial year:

- James M. Millar AM — Chairman - Board Member (Non-Executive)
- Noel Cornish AM (term completed: 28 February 2021) — Board Member (Non-Executive)
- Geoffrey Applebee (term completed: 28 February 2021) — Board Member (Non-Executive)
- Mary Verschuer (appointed: 01 March 2021) — Board Member (Non-Executive)
- Stefanie Loader (appointed: 15 February 2021) — Board Member (Non-Executive)
- Matthew Sexton (appointed: 01 March 2021) — Board Member (Non-Executive)
- Sarah Kearney — Board Member (Non-Executive)
- Nick Roberts (resigned: 29 July 2020) — Chief Executive Officer
- Anshul Chaudhary (acting to 28 June 2021 and appointed: 29 June 2021) — Chief Executive Officer

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Corporation, directly or indirectly, during the financial year:

- Grant Steen — Acting Chief Financial Officer
- Meredith Payne — General Manager Human Resources
- Daniel Tuan — General Manager Hardwood Forests Division
- Mike Beardsell — General Manager Softwood Plantation Division
- Ross Dickson — General Manager Governance & Assurance and Company Secretary

In accordance with the Treasury Circular TC16-12, the Portfolio and Shareholder Ministers of the Corporation are also regarded as key management personnel. The Corporation has not made any monetary or non-monetary compensation to the Ministers during the financial year.

Compensation

The aggregate compensation paid or due to Directors and other members of key management personnel of the Corporation is set out below:

	30 June 2021 $	30 June 2020 $
Short-term employee benefits	2,281,733	2,547,731
Post-employment benefits	153,528	149,531
Long-term benefits	189,784	84,034
	2,625,045	2,781,296

Note 36. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by The Audit Office of New South Wales, the auditor of the Corporation:

	30 June 2021 $	30 June 2020 $
Audit services - The Audit Office of New South Wales		
Audit of the financial statements (excluding GST)	314,000	323,043

Note 37. Commitments

	30 June 2021 $'000	30 June 2020 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	8	14
One to five years	1	8
	9	22
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	1,997	919

Amount disclosed as operating lease commitments includes GST of $800 (2020: $2,000) recoverable from the Australian Taxation Office.

Amount disclosed as capital commitments includes GST of $181,536 (2020: $84,000) recoverable from the Australian Taxation Office.

Note 38. Contingent liabilities\assets

As at 30 June 2021, 768,739 hectares (2020: 757,887 hectares) of operational timber reserves were subject to claims under the Native Title Act. The impact of these claims cannot be quantified at this time.

The Corporation may need to rehabilitate derelict mines which lie on its land. The amount of this contingent liability cannot be measured reliably at this time.

The Corporation may have onerous contracts in relation to wood supply agreements for native forest timber. The quantum of this amount is not able to be determined as the wood supply agreements allow for movements in price and volume. The Corporation has declared force majeure on contracts that have been affected by the 2019/20 bushfires and 2020/21 floods.

The Corporation may be entitled to receive insurance recoveries for the incremental cost of working due to the bushfires under its insurance policy. The existence of the asset will be confirmed and quantified upon claim acceptance or part thereof by the insurance assessor.

Note 39. Events after the reporting period

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Corporation's operations, the results of those operations, or the Corporation's state of affairs in future financial years.

Note 40. Non-current liabilities - retirement benefit obligations

Statement of financial position amounts

The amounts recognised in the statement of financial position are determined as follows:

	30 June 2021 $'000	30 June 2020 $'000
Present value of the defined benefit obligation	282,607	290,820
Fair value of defined benefit plan assets	(219,172)	(205,293)
Net liability in the statement of financial position	63,435	85,527

The information disclosed in this note has been provided by Mercer Administration Services (Australia) Pty Ltd in accordance with AASB 119.

Nature of the benefits provided by the fund

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS).

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. All the schemes are closed to new members.

Description of the regulatory framework

The schemes in the Pooled Fund are established and governed by the following NSW legislation: *Superannuation Act 1916, State Authorities Superannuation Act 1987, State Authorities Non-Contributory Superannuation Act 1987,* and their associated regulations.

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the *Commonwealth Superannuation Industry (Supervision) Act 1993* (SIS). The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2018. The next actuarial investigation will be performed at 30 June 2021.

Description of other entities' responsibilities for the governance of the fund

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles:

- Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;
- Management and investment of the fund assets; and
- Compliance with other applicable regulations.

Description of risks

There are several risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

- **Investment risk** – The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
- **Longevity risk** – The risk that pensioners live longer than assumed, increasing future pensions.
- **Pension indexation risk** – The risk that pensions will increase at a rate greater than assumed, increasing future pensions.
- **Salary growth risk** – The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- **Legislative risk** – The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit Fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

Description of significant events

There were no fund amendments, curtailments or settlements during the year.

Reconciliation of the Net Defined Benefit Liability/(Asset)

Financial Year to 30 June	**SASS**		**SANCS**		**SSS**		**Total**	
	2021 $000	**2020 $000**	**2021 $000**	**2020 $000**	**2021 $000**	**2020 $000**	**2021 $000**	**2020 $000**
Net Defined Benefit Liability/(Asset) at start of year	7,623	7,302	(1,405)	(1,555)	79,309	85,933	85,527	91,681
Current service cost	498	636	210	220	34	51	742	907
Net Interest on the net defined benefit liability/(asset)	194	195	(40)	(47)	2,149	2,448	2,303	2,596
Actual return on Fund assets less Interest income	(6,497)	360	(756)	37	(13,365)	699	(20,618)	1,096
Actuarial (gains)/losses arising from changes in demographic assumptions	2,623	(0)	87	(0)	(1,175)	(0)	1,534	(0)
Actuarial (gains)/losses arising from changes in financial assumptions	64	(795)	(138)	57	5,292	(8,422)	5,218	(9,160)
Actuarial (gains)/losses arising from liability experience	(1,241)	850	(639)	70	(8,273)	(1,348)	(10,153)	(428)
Employer contributions	(912)	(924)	(177)	(188)	(28)	(54)	(1,118)	(1,165)
Net Defined Benefit Liability/(Asset) at end of year	2,352	7,623	(2,859)	(1,405)	63,941	79,309	63,435	85,527

Reconciliation of the Fair Value of Fund Assets

Financial Year to 30 June	**SASS**		**SANCS**		**SSS**		**Total**	
	2021 $000	**2020 $000**	**2021 $000**	**2020 $000**	**2021 $000**	**2020 $000**	**2021 $000**	**2020 $000**
Fair value of Fund assets at beginning of the year	63,861	64,721	7,282	7,433	134,150	141,952	205,293	214,106
Interest income	1,658	1,780	187	202	3,467	3,873	5,312	5,856
Actual return on Fund assets less Interest income	6,497	(360)	756	(37)	13,365	(699)	20,618	(1,096)
Employer contributions	912	924	177	188	28	54	1,118	1,165
Contributions by participants	459	460	0	0	20	49	479	509
Benefits paid	(3,397)	(3,154)	(551)	(393)	(12,155)	(11,586)	(16,104)	(15,133)
Taxes, premiums & expenses paid	478	(510)	177	(110)	1,800	507	2,455	(113)
Fair value of Fund assets at end of the year	70,467	63,861	8,028	7,282	140,677	134,150	219,172	205,293

Reconciliation of the Defined Benefit Obligation

Financial Year to 30 June	**SASS**		**SANCS**		**SSS**		**Total**	
	2021 $000	**2020 $000**	**2021 $000**	**2020 $000**	**2021 $000**	**2020 $000**	**2021 $000**	**2020 $000**
Present value of defined benefit obligations at beginning of the year	71,484	72,023	5,877	5,878	213,459	227,885	290,820	305,786
Current service cost	498	636	210	220	34	51	742	907
Interest cost	1,852	1,975	146	155	5,616	6,322	7,615	8,452
Contributions by participants	459	460	0	0	20	49	479	509
Actuarial (gains)/losses arising from changes in demographic assumptions	2,623	(0)	87	(0)	(1,175)	(0)	1,534	(0)
Actuarial (gains)/losses arising from changes in financial assumptions	64	(795)	(138)	57	5,292	(8,422)	5,218	(9,160)
Actuarial (gains)/losses arising from liability experience	(1,241)	850	(639)	70	(8,273)	(1,348)	(10,153)	(428)
Benefits paid	(3,397)	(3,154)	(551)	(393)	(12,155)	(11,586)	(16,104)	(15,133)
Taxes, premiums & expenses paid	478	(510)	177	(110)	1,800	507	2,455	(113)
Present value of defined benefit obligations at end of the year	72,819	71,484	5,169	5,877	204,618	213,459	282,607	290,820

Fair value of Fund assets

All Pooled Fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund.

Asset category	As at 30 June 2021				As at 30 June 2020			
	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Short Term Securities	5,108,370	2,398,668	2,709,702	0	4,096,298	1,889,511	2,206,787	0
Australian Fixed Interest	903,816	0	903,816	0	1,066,448	0	1,066,448	0
International Fixed Interest	1,755,026	45,227	1,709,799	0	1,909,424	30,408	1,879,015	0
Australian Equities	8,310,657	8,308,316	2,341	0	7,294,211	6,901,927	392,284	0
International Equities	13,889,679	13,884,532	5,148	0	11,950,330	11,487,308	463,022	0
Property	3,287,730	626,961	0	2,660,769	3,352,466	644,805	16,266	2,691,395
Alternatives	8,529,710	759	2,709,828	5,819,124	10,522,833	23,408	4,337,075	6,162,350
Total	41,784,988	25,264,462	8,040,633	8,479,893	40,192,010	20,977,368	10,360,897	8,853,745

Fund assets

The percentage invested in each asset class at the reporting date is:

As at 30 June	2021 %	2020 %
Short Term Securities	12.2%	10.2%
Australian Fixed Interest	2.2%	2.7%
International Fixed Interest	4.2%	4.8%
Australian Equities	19.9%	18.1%
International Equities	33.2%	29.7%
Property	7.9%	8.3%
Alternatives	20.4%	26.2%
Total	100.0%	100.0%

- Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares; listed unit trusts.
- Level 2 - inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government, semi-government and corporate bonds; unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.
- Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cashflow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such, managers make limited use of derivatives.

Fair value of entity's own financial instruments

The disclosures below relate to total assets of the Pooled Fund.

The fair value of the Pooled Fund assets as at 30 June 2021 include $41.4 million in NSW government bonds. Of the direct properties owned by the Pooled Fund:

- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of $328 million (30 June 2020: $340 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of $443 million (30 June 2020: $343 million).

Significant Actuarial Assumptions at the Reporting Date

As at 30 June	2021	2020
Discount rate	2.83%	2.71%
Salary increase rate (excluding promotional increases)	2.74% pa 21/22 to 25/26; 3.2% pa thereafter	3.2% pa
Rate of CPI increase	1.50% for 20/21; 1.75% for 21/22 and 22/23; 2.25% for 23/24, 24/25 and 25/26; 2.50% for 26/27; 2.75% for 27/28, 3.00% for 28/29; 2.75% for 29/30; 2.50% pa thereafter	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are those to be used for the 2021 Actuarial Investigation of the Pooled Fund. These assumptions will be disclosed in the actuarial investigation report when available from the trustee's website. The report will show the pension mortality rates for each age.	The pensioner mortality assumptions are as per the 2018 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.

Sensitivity Analysis

The entity's total defined benefit obligation as at 30 June 2021 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2021.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

As at 30 June	2021			2020		
	Base Case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate	Base Case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Discount rate	as above	as above -0.5% pa	as above +0.5% pa	as above	as above -0.5% pa	as above +0.5% pa
Rate of CPI increase	as above	as above	as above	as above	as above	as above
Salary inflation rate	as above	as above	as above	as above	as above	as above
Defined benefit obligation $'000	282,607	299,074	267,536	290,820	307,980	275,136

As at 30 June	2021			2020		
	Base Case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase	Base Case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above	as above	as above	as above
Rate of CPI increase	as above	as above +0.5% pa	as above -0.5% pa	as above	as above +0.5% pa	as above -0.5% pa
Salary inflation rate	as above	as above	as above	as above	as above	as above
Defined benefit obligation $'000	282,607	298,423	268,022	290,820	307,276	275,669

As at 30 June	2021			2020		
	Base Case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate	Base Case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above	as above	as above	as above
Rate of CPI increase	as above	as above	as above	as above	as above	as above
Salary inflation rate	as above	as above +0.5% pa	as above -0.5% pa	as above	as above +0.5% pa	as above -0.5% pa
Defined benefit obligation $'000	282,607	283,492	281,748	290,820	291,804	289,871

As at 30 June	2021			2020		
	Base Case	Scenario G Lower mortality*	Scenario H Higher mortality**	Base Case	Scenario G Lower mortality*	Scenario H Higher mortality**
Defined benefit obligation $'000	282,607	285,478	279,505	290,820	294,828	287,682

*Assumes the short-term pensioner mortality improvement factors for years 2021-2026 also apply for years after 2026

**Assumes the long-term pensioner mortality improvement factors for years post 2026 also apply for years 2021 to 2026

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Asset-Liability matching strategies

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cashflows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

Surplus/deficit

The following is a summary of the 30 June 2021 financial position of the Fund calculated in accordance with AASB 1056 Accounting Standard "Superannuation Entities":

Financial Year to 30 June	**SASS**		**SANCS**		**SSS**		**Total**	
	2021 $000	**2020 $000**	**2021 $000**	**2020 $000**	**2021 $000**	**2020 $000**	**2021 $000**	**2020 $000**
Accrued benefits*	57,905	56,061	4,855	5,236	133,361	135,747	196,121	197,044
Net market value of Fund assets	(70,467)	(63,861)	(8,028)	(7,282)	(140,677)	(134,150)	(219,172)	(205,293)
Net (surplus)/deficit	(12,563)	(7,800)	(3,173)	(2,046)	(7,315)	1,597	(23,051)	(8,249)

* There is no allowance for a contribution tax provision within the Accrued Benefits figure for AASB 1056. Allowance for contributions tax is made when setting the contribution rates.

Contribution recommendations

Recommended contribution rates for the entity are:

	SASS		**SANCS**		**SSS**	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Multiple of member contributions	1.9	1.9	-	-	1.6	1.6
% member salary	-	-	2.50%	2.50%	-	-

Economic assumptions

In light of the current environment due to Covid-19, there is increased volatility in terms of expected outcomes especially in the short to medium term. The information on sensitivities for Paragraph 145 under AASB 119 provides a guide to how this could affect the defined benefit obligation.

For AASB 1056, separate sensitivities are not included. However, we note that the assumptions for CPI, Salary and demographics are broadly the same under both reporting standards. While the underlying liability amounts for AASB 1056 are lower than for AASB 119, the sensitivity of results under AASB 119 gives an indication to the directional and proportional impact of the changes in these assumptions.

Scenarios A and B relate to sensitivity of the Total Accrued Benefits figure shown in the AASB 1056 results.

As at 30 June 2021	**Base Case %**	**Scenario A -0.5 % Discount rate**	**Scenario B +0.5 % Discount rate**
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	6.5% pa	6.0% pa	7.0% pa
Expected rate of return on Fund assets backing other liabilities (discount rate)	5.7% pa	5.2% pa	6.2% pa
Rate of CPI increase	2.0% pa	as base case	as base case
Salary inflation rate	2.74% pa	as base case	as base case
Accrued Benefits $'000	196,121	203,344	189,399

As at 30 June 2020	**Base Case %**	**Scenario A -0.5 % Discount rate**	**Scenario B +0.5 % Discount rate**
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	7.0% pa	6.5% pa	7.5% pa
Expected rate of return on Fund assets backing other liabilities (discount rate)	6.0% pa	5.5% pa	6.5% pa
Rate of CPI increase	2.0% pa	as base case	as base case
Salary inflation rate	3.2% pa	as base case	as base case
Accrued Benefits $'000	197,044	204,212	190,367

Expected contributions

Financial Year to 30 June	SASS		SANCS		SSS		Total	
	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000
Expected employer contributions for the following year	812	871	156	170	0	33	968	1,074

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 11 years.

Profit and Loss Impact

For the year ended 30 June	SASS		SANCS		SSS		Total	
	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000
Current service cost	498	636	210	220	34	51	742	907
Net interest	194	195	(40)	(47)	2,149	2,448	2,303	2,596
Profit or loss component of the Defined Benefit Cost	692	831	170	173	2,183	2,500	3,044	3,503

Other Comprehensive Income

For the year ended 30 June	SASS		SANCS		SSS		Total	
	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000
Actuarial (gains) losses on liabilities	1,446	54	(691)	128	(4,156)	(9,770)	(3,401)	(9,588)
Actual return on Fund assets less Interest income	(6,497)	360	(756)	37	(13,365)	699	(20,618)	1,096
Total remeasurement in Other Comprehensive Income	(5,051)	414	(1,447)	165	(17,521)	(9,071)	(24,019)	(8,492)

End of the Audited Financial Statements

DIRECTOR'S DECLARATION

30 June 2021

Pursuant to the Government Sector Finance Act 2018 (GSF Act), GSF Regulations, the Government Sector Audit Act 1983, the Forestry Act 2012, the State Owned Corporations Act 1989 and in accordance with a resolution of the Board of Directors, we declare on behalf of Forestry Corporation of New South Wales that in our opinion:

- The financial statements have been prepared in accordance with the Australian Accounting Standards, the Government Sector Finance Act 2018 (GSF Act), GSF Regulations and the State Owned Corporations Act 1989.
- We are not aware of any circumstances at the date of this declaration that would render any particulars included in the financial report to be misleading or inaccurate;
- the attached financial statements and notes give a true and fair view of the Corporation's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- There are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

On behalf of the Directors

James M. Millar AM
Chairman

Anshul Chaudhary
Chief Executive Officer

14 September 2021

INDEPENDENT AUDITOR'S REPORT

Forestry Corporation of New South Wales

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Forestry Corporation of New South Wales (the Corporation), which comprises the Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2021, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with *Government Sector Audit Act 1983* (GSA Act)
- has been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2018 (GSF Regulation) and the Treasurer's Directions
- presents fairly the Corporation's financial position, financial performance and cash flows

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements section of my report.

I am independent of the Corporation in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2021. These matters were addressed in the context of my audit of the financial statements as a whole and in forming my opinion thereon, I do not provide a separate opinion on these matters. I have determined the matters described below to be the key audit matters to be communicated in my report.

Key Audit Matter	How my audit addressed the matter
Fair value measurement of biological assets	
At 30 June 2021, the Corporation reported $723.6 million in biological assets for the softwood division measured at fair value. A fair value adjustment decrement of $71.4 million was recognised in the statement of profit and loss and other comprehensive income in the current financial year. I considered this to be one of most significance in the audit due to following reasons: • biological assets are financially significant to the financial statements; • the (fair) valuation of the biological assets is a significant estimate that utilises several significant inputs, assumptions and key judgements and thus presents a high risk of material misstatement. Refer to Notes 2,4,15,18 and Note 34 in the financial statements for the related disclosures.	We understood and evaluated management's biological asset valuation process and tested the design and operational effectiveness of internal controls related to biological assets. Our audit procedures over valuation of biological asset softwood division included: • engaging a forestry valuation auditor's expert to review the mechanics of the valuation methodology for reasonableness • agreeing the wood flow information used in the valuation model to the forestry information in Geomaster • evaluating the appropriateness of the significant inputs, assumptions and judgements used in the valuation including growth and yield assumptions, timber selling prices, harvest and operating costs and discount rate • assessing the valuation methodology for compliance with the requirements of Australian Accounting Standards (AASB 141 *Biological assets* and AASB 13 *Fair value*) • testing the mathematical accuracy of the valuation model. We reviewed the biological assets disclosures in the financial statements for compliance with the requirements of the Australian Accounting Standards.

Key Audit Matter	How my audit addressed the matter
Valuing of defined benefit superannuation liabilities	
At 30 June 2021, the Corporation's statement of financial position reported defined benefit net superannuation liabilities totalling $63 million. This liability balance was provided to the Corporation by the Administrator of the SAS Trustee, based on an independent actuarial assessment. I considered this to be a key audit matter because: • the defined benefit superannuation liability is financially significant to the statement of financial position • the underlying liability valuation model (the model) is complex due to the significant degree of judgement required to determine key assumptions used to value the liability • the value of the liability is sensitive to minor changes in valuation inputs. Further information on the significant actuarial assumptions and sensitivity analysis is disclosed in Note 40.	Key audit procedures included the following: • obtained an understanding of the processes and key controls in place supporting the defined benefit superannuation liability calculation • assessed the completeness and accuracy of the membership data used in the model • with the assistance of actuarial experts, reviewed the methodology and key assumptions for reasonableness • assessed qualifications, competence and objectivity of actuarial experts • evaluated the adequacy of financial statement disclosures against the requirements of applicable Australian Accounting Standards and Treasury Directions.

Other information

The Corporation's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The directors of the Corporation are responsible for the other information.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

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

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

Director's Responsibilities for the Financial Statements

The Director is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulations and the *State Owned Corporations Act 1989*. The Director's responsibility also includes such internal control as the Director determines is necessary to enable the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director is responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Corporation carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Alison Brown
Assistant Auditor-General

Delegate of the Auditor-General for New South Wales

16 September 2021

SYDNEY

STATUTORY INFORMATION

Consultants

More than $50,000 (per engagement)

Vendor	Subject Matter	Amount $
Public Work Advisory	Road Engineering	245,210
Bridge Knowledge Pty Ltd	Road Engineering	122,744
Geotrack Engineering Pty Ltd	Road Engineering	95,119
D&N Geotechnical Pty Ltd	Road Engineering	70,699
Core Consultants Pty Ltd	Road Engineering	69,357
Indufor Asia Pacific(Australia) Pty Ltd	Internal Audit	53,600
KPMG Financial Advisory Services (Australia) Pty Ltd	Project Management	52,294

$50,000 or less (per engagement)

Forestry Corporation employed 59 consultants for engagements costing less than $50,000 at a total cost of $785,625. Engagements are predominately in association with major infrastructure repair programs, including roads and bridges, associated with fire recovery.

Credit card certification

Corporate credit card use is monitored on a monthly basis. Only eligible staff are issued with corporate credit cards to facilitate travel, accommodation and limited purchases. The Chief Financial Officer and relevant General Manager approve all cards issued and the relevant manager approves all expenses associated with card use.

Credit card use is managed in accordance with the Premier's Memoranda and Treasurer's Directions.

Cost of Annual Report

The total external costs incurred in the production of the Forestry Corporation Annual Report for FY21 were $9801.28 excluding GST. The Annual Report is available at www.forestrycorporation.com.au.

Finance information

Debt management

At 30 June 2021, Forestry Corporation's total borrowings were $86 million (2020: $86 million). The debt portfolio was sourced almost entirely through NSW Treasury Corporation (TCorp) and is actively managed to limit the cost of funds.

Debt portfolio performance

	Forestry Corporation	Benchmark
Market valuation 30 June 2021*	$ 88 million	N/A
Generalised cost of funds	2.83%	0.75%

* Market valuation of debt represents the value if all debt had to be retired and differs from the capital value, which is the value in the financial statements.

At 30 June 2021, Forestry Corporation's debt was subject to interest charges at fixed rates from TCorp.

Investment performance

At 30 June 2021, Forestry Corporation's financial investments totalled $94 million (FY20: $8 million). The investment portfolio's performance is benchmarked against the NSW Treasury Corporation's TCorpIM Cash Fund, consistent with NSW Treasury guidelines and to maximise investment returns while maintaining appropriate risk controls.

Amounts have been lodged in the TCorpIM Cash Fund and Forestry Corporation has also invested surplus cash in short and medium terms within the investment portfolio of the NSW Treasury Corporation (TCorp), which allow funds to be withdrawn as required. The table below details these investments and returns at 30 June 2021.

TCorp Fund Type	FY21			FY20		
	Investment($)	**Return($)**	**%**	**Investment($)**	**Return($)**	**%**
TCorp Cash Fund	13,937,266	35,740	0.29	7,851,471	376,492	1.07
TCorp Short Term	50,250,140	250,140	0.48	-	-	-
TCorp Medium Term	29,550,088	1,550,088	6.22	-	-	-

Budget and forward outlook

Detailed budgets are published annually in the Statement of Corporate Intent agreed with shareholders. An outline budget for FY22 is provided below:

	Financial year to 30 June 2022 budget	
	Measure	Target
Revenue	$m	325.1
EBITDA	$m	2.1
EBITDA on sales	%	1
EBIT	$m	(8.3)
Operating loss before tax	$m	(12.7)
NPAT	$m	(12.7)
Dividend payout ratio	%	N/A
Return on assets	%	(0)
Return on equity (excl.land asset)	%	(1)

Government Information Public Access

In line with the principles of the *Government Information (Public Access) Act 2009* (GIPA Act), Forestry Corporation makes a range of information available to the public proactively including policies, information about operations and projects the community may be interested in, reports, yield forecasts and reconciliations, harvest plans and associated reports for native forest operations, maps and spatial data. Information is continually reviewed for proactive release and published on the Forestry Corporation website. The website details the information available as well as how to apply for access to information under the GIPA Act.

Between 1 July 2020 and 30 June 2021, Forestry Corporation received 15 formal applications for information under the GIPA Act, including two applications that were transferred to another agency. Two applications were received prior to 1 July 2020 but decided during FY21 and are included in this report. Two applications received during the year had not been determined at 30 June 2021 and will be included in next year's report. One application was made for internal review and one for external review. In line with the requirements of Section 8 of the GIPA Act, information about these applications is detailed in the tables below and has been supplied to the Information and Privacy Commission (IPC).

Table A: Number of applications by type of applicant and outcome

	Access granted in full	**Access granted in part**	**Access refused in full**	**Information not held**	**Information already available**	**Refuse to deal with application**	**Refuse to confirm/ deny whether information is held**	**Application withdrawn**
Media	0	0	0	0	0	0	0	0
Members of Parliament	1	0	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0	0
Not for profit organisations or community groups	2	1	0	0	0	1	0	0
Members of the public (application by legal representative)	1	1	1	1	0	0	0	0
Members of the public (other)	1	2	0	0	0	0	0	1

Table B: Number of applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/ deny whether information is held	Application withdrawn
Personal information applications	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	5	4	1	1	0	1	0	1
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

Table C: Invalid applications

Reason for invalidity	No of applications
Application does not comply with formal requirements (section 41 of the Act)	0
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 to Act

	Number of times consideration used*
Overriding secrecy laws	
Cabinet information	
Executive Council information	
Contempt	
Legal professional privilege	1
Excluded information	
Documents affecting law enforcement and public safety	
Transport safety	
Adoption	
Care and protection of children	
Ministerial code of conduct	
Aboriginal and environmental heritage	
Information about complaints to Judicial Commission	
Information about authorised transactions under *Electricity Network Assets* (Authorised Transactions) *Act 2015*	
Information about authorised transaction under *Land and Property Information NSW* (Authorised Transaction) *Act 2016*	

* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of Act

	Number of occasions when application not successful
Responsible and effective government	2
Law enforcement and security	
Individual rights, judicial processes and natural justice	2
Business interests of agencies and other persons	4
Environment, culture, economy and general matters	
Secrecy provisions	
Exempt documents under interstate Freedom of Information legislation	

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	12
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
Total	12

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	1	0	1
Review by Information Commissioner	0	0	0
Internal review following recommendation under section 93 of Act	0	0	0
Review by NCAT	0	1	1
Total	1	1	2

Table H: Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications for review
Applications by access applicants	2
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

Table I: Applications transferred to other agencies under Division 2 of Part 4 of the Act (by type of transfer)

	Number of applications transferred
Agency-initiated transfers	2
Applicant-initiated transfers	0

Human Resources

At the close of FY21, Forestry Corporation employed 549 full-time equivalent (FTE) staff. Of these staff, 317 were primarily involved in management, administration and technical roles, whilst 232 were engaged in field contractor management, road construction and maintenance, tree planting and pruning, nursery work, forest conservation and fire protection. Staff figures are compiled at the end of each financial year and do not include all seasonal and casual staff engaged during the course of the year, such as seasonal firefighters engaged over the summer months (some seasonal firefighters are retained over the winter months resulting in fluctuations in field-based FTE).

The majority of Forestry Corporation staff are employed under an Enterprise Agreement whilst senior staff are employed under common law contracts. Both instruments provide the terms and conditions of employment including wage, salary and allowance movements. The Code of Conduct and supporting policies provide staff with a clear and consistent understanding of what is expected of them. In addition, the Values and Behaviours Framework introduced in FY20 continues to guide the decisions and actions of staff.

Employee numbers – trend (full-time equivalent)

Year ended 30 June	Office-based	Field-based	Total
2018	308	212	520
2019	315	217	532
2020	316	218	534
2021*	317	232	549

*at final pay period 20 June 2021

Workforce diversity

Trends in the representation of Equal Employment Opportunity groups

Equal Employment Opportunity (EEO) group Year ended 30 June	Benchmark or target	2017	2018	2019	2020	2021
Women	50%	18.7%	19.6%	21%	22%	23%
Aboriginal and Torres Strait Islander peoples	2.6%	3.8%	4.1%	4.2%	4.7%	4.2%
People whose first language is not English	19%	5.2%	5.5%	6.4%	6.4%	7.0%
People with a disability	N/A	5%	7.1%	12.7%	19.1%	15%
People with a disability requiring work-related adjustment	1.5%	1%	0.8%	0.6%	0.3%	0.3%

Gender distribution of senior executives

Band	Gender			
	Female		Male	
	FY20	FY21	FY20	FY21
Band 4 or above	–	–	1	–
Band 3	–	–	1	2
Band 2	–	–	3	2
Band 1	1	1	–	1*

Average remuneration of senior executives

Band	FY19 $	FY20 $	FY21 $
Band 4 or above	577,826	599,875**	–
Band 3	350,995*	379,580	399,159
Band 2	302,210	296,840	293,317
Band 1	198,785*	267,613	253,549

* Partial year figure

** Band 4 increase accounts for remuneration of the Acting CEO during a significant period of paid leave taken by the former CEO.

Approximately three per cent (FY20: 3%) of total employee-related expenditure during the reporting year related to senior executives.

Health, Safety and Wellbeing

Forestry Corporation's priority is to provide a safe work environment that protects and promotes the physical and psychological health of its workers and ensures worksites are safe. Forestry Corporation has continued to focus on critical risks and has a structured response to critical incidents, all of which are reviewed at an executive level. The COVID-19 pandemic has continued to require a rapid and coordinated response to support business continuity while minimising infection risk in the workplace.

In FY21 Forestry Corporation undertook a complete review and update of the Safety Management System and the development of systems to monitor compliance with National Heavy Vehicle Regulator obligations. A framework for mental health was implemented that focused on education, peer support and counselling. Forestry Corporation also delivered safety training covering key risk areas such as contractor management, heavy vehicles, and managing unauthorised persons. The total recordable injury frequency rate for FY21 was 14.6 per million hours worked (FY20: 8.3) against a target of 5.4. Managers and staff remain firmly committed to preventing significant injuries and promoting early intervention to support the health and safety of all workers.

Public interest disclosures

Forestry Corporation has a Public Interest Disclosures (PID) policy, which is available on the website. Procedures for making and dealing with PIDs are also provided to assist staff. The policy and procedures were made available to staff during FY21 via the intranet. No PIDs were received during FY21.

Legislation and legal issues

No significant changes to the legislation relevant to Forestry Corporation's core activities passed during FY21. The Forestry Corporation was subject to three Land and Environment Court prosecutions commenced by the Environment Protection Authority during this financial year, all of which have not been finally heard by the court.

Overseas visits

General Manager Compliance and Assurance and Company Secretary, Dr Ross Dickson travelled to New Zealand on one occasion (June 2021) to attend a meeting of the Radiata Pine Breeding Company (RPBC). Dr Dickson is Chair of the RPBC, requiring him to travel to New Zealand to Chair meetings and attend technical meetings. Due to COVID travel restrictions all other meetings of the RPBC were chaired via technological means. Forestry Corporation is a major shareholder of the RPBC, which invests in research, development and supply of high quality seeds for Forestry Corporation's softwood plantation estate.

Research and development

The Forest Science unit within the NSW Department of Primary Industries Forestry branch (DPI – Forestry) provides technical advice and research and development services to Forestry Corporation under an ongoing Service Level Agreement (SLA). Forestry Corporation invested $1.5 million (excluding GST) in research and development under this SLA during FY21. The Forest Science unit has scientific and technical expertise in forest ecology, forest health and biosecurity, forest resource assessment and spatial modelling, carbon in forests, wood products and bioenergy, and biometric and cost-benefit analytical services. The Forest Science unit also represented the forestry sector on the NSW Scientific Committee, provided secretarial services for Forestry Corporation's Animal Care and Ethics Committee and represented Forestry Corporation on the National Sirex Coordinating Committee and the National Forest Health and Biosecurity Subcommittee.

Completed and continuing projects are outlined below.

Forest ecology

- Radio-tracking GPS collared koalas in forests regenerating after harvest. Preliminary results show koalas (including breeding females) are living in post-harvest landscapes and using both regeneration and harvest exclusion zones.
- Annual monitoring of koala occupancy in North-East forests based on male koala bellows using acoustic sensors. Calls collected between 2015 and 2019 were analysed, showing stable occupancy at the regional scale through that time.
- Evaluation of timber harvesting and koala densities based on data collected using acoustic grids. Results have found no change in male density after harvesting.
- Response of a threatened bat species to management burning based on radio-tracking to assess roost selection in the post-burn landscape in the Pilliga.
- Data analyses from the first five years of biodiversity monitoring in State forests in the Pilliga. Results published in Austral Ecology.
- Occupancy analyses of Yellow-bellied Gliders at Bago and Maragle State forests. A decline was detected over time (unrelated to harvesting), especially after the 2019-20 fires. However, the species persisted well where fire was of low severity.
- Data collation on Hastings River Mouse monitoring since 2015 for occupancy analyses. A decline over time has been detected, probably due to drought conditions. Future work will assess recovery after breaking of the drought, noting most monitoring sites burnt in the fires.

Forest health and biosecurity

- Annual aerial and ground surveys of the softwood plantation estate for detection of pests, diseases, weeds and nutrient deficiencies. Advice on management of key pests, including sirex wood wasp.
- Annual survey of production nurseries.
- Monitoring for bark beetles and bluestain in fire-affected pine plantations in the Grafton, Tumut and Bombala districts.
- Surveys targeting phytophthora dieback and myrtle rust in native forest regeneration stands.
- Trials evaluating the use of airborne photogrammetry and spatial modelling to improve efficiencies of data capture of forest health issues in softwood plantations (e.g. Sirex wood wasp) and native forest (dieback and drought).
- Training on forest and nursery biosecurity.
- Biosecurity surveillance around Port Botany and Port Kembla.
- Represent Forestry Corporation on national biosecurity and forest health bodies (e.g. Consultative Committee on Emergency Plant Pests), for the development of national forest biosecurity plans.

Forest carbon

- Evaluating productivity of various planted tree species managed on short rotation cycles for the potential future biomass supply.
- Working with the Clean Energy Regulator on modifications to the Emissions Reduction Fund (ERF) Plantation Forestry method to make it less restrictive and more attractive for growers to participate.
- Investigating the impact of bushfires on radiata pine wood properties in a collaborative project.
- Evaluating the acoustic device Hitman ST300 to measure wood stiffness in standing trees in Bondi State Forest by contributing to collaborative study.

Forest resource assessment, modelling and biometrics

- Assessing the effectiveness of fuel reduction burning in reducing fire severity.
- Using high resolution remotely acquired data for commercial forestry applications.
- Using real-time measurements at harvest in pine plantations to increase value recovery.
- Developing models to estimate both product and residue biomass for rotation age radiata pine stands.
- Constructing indices of crown asymmetry using blackbutt trees for forestry applications.
- Conducting a literature review on the impact of fires on the growth of eucalypt forests.
- Reviewing harvester data analytics to improve softwood plantation inventory.
- Evaluating the effectiveness of mechanical fuel reduction in reducing the impact of bushfires.

Forestry Corporation collaborated in the National Institute for Forest Product Innovation (NIFPI) research project "Solutions for the optimal use of dense, remotely acquired data by forest growers" as well as a number of Forest and Wood Products Australia (FWPA) projects including:

- Guidelines for salvage harvest, storage and processing of plantation-grown logs affected by fire.

- Value optimisation and improving supply chains in plantation forests.
- Operational immersive visualisation and measurement of dense point cloud data in forest inventory.
- Improved tools to predict fertiliser response and profitability in softwood plantations.
- An investigation to detect and map internal and external defects in commercial eucalypt timber species using non-destructive techniques.

Forestry Corporation has continued to invest in technology and is increasing the use of RPAS (drones) for forest and fire management. During the year, the Forestry Corporation RPAS fleet was expanded to 58 units, including 20 with thermal capability. Sixteen new pilots were trained to CASA Remote Pilot accreditation level, bringing the total number of active accredited pilots to 48.

Responding to community concerns

Forestry Corporation's stakeholder engagement policy can be viewed on our website. This policy outlines our commitment to facilitating opportunities for engagement with stakeholders. Stakeholder engagement was undertaken in FY21 as part of routine operational planning across all aspects of the business. A complaints process is also outlined on the website.

During the year, Forestry Corporation engaged with the community on a range of issues including the impact of the bushfires, protection of the environment, neighbour relations, recreation and tourism, land management, weed control and timber supply. Forestry Corporation welcomes feedback and continuously improves operations and accommodates community concerns where practical.

Risk management and internal audit

Forestry Corporation's Board has an Audit and Risk Committee, established under the Board-approved internal audit charter.

Forestry Corporation's risk management framework is aligned to the State-Owned Corporation requirements set out in the NSW Treasury Policy and Guidelines Paper 20-08, and Australian/New Zealand Standard Risk Management Guidelines (AS/NZS ISO 31000:2018 Risk Management).

The Audit and Risk Manager prepares an internal audit plan, linked to Forestry Corporation's risks. The plan is approved by the Audit and Risk Committee and the audits are undertaken by external service providers, selected from a shortlist of preferred providers, based on a tendering process.

Audit reports and any required remedial actions are reviewed by the Audit and Risk Committee.

Four internal audits were initiated during the year, covering payroll, cybersecurity, and environmental management. Two were underway at 30 June 2020. A review of Forestry Corporation's compliance framework is also in progress. The audit plan was approved by the Audit and Risk Committee of the Board in June 2020.

Risk management

Forestry Corporation implements a risk management framework which allocates the responsibility for risk management and includes a defined criteria for the assessment of likelihood and the consequence of different risk types within a risk assessment matrix.

Risk management software enables consistent reporting, an assessment of incidents and hazards, risk identification, follow up of audit actions and risk mitigation measures.

Reviews of Forestry Corporation's risks are incorporated into the design and operation of the risk management framework. Business-wide (or enterprise) risks are assessed by the senior management team annually before being submitted to the Audit and Risk Committee for review and approval.

Major business risks, and the management strategies put in place to deal with them, are outlined below.

Significant health, safety or wellbeing incident or fatality

A range of training, tools, system resources, planning and operational practices are in place, aimed at minimising the risk of harm to employees and contractors.

An audit into the safety management system in 2020 identified areas for improvement.

Forestry Corporation also plays an active role in safety leadership in the industry as part of the Australian Forest Products Association's national industry council on safety and participates in a number of industry forums to maintain best practice.

Serious bushfires

Forestry Corporation maintains high levels of fire planning, preparedness and suppression capacity. Risk mitigation strategies include early detection through a network of fire towers, patrols on high fire danger days, integrated communications, technical applications such as a lightning strike detection system, and use of satellite infrared imagery and drone technology. Staff are trained to an appropriate standard and are available for deployment across the State.

A hazard reduction burning program and grazing minimise fuel loads and an extensive network of roads and fire trails is maintained.

Pests and diseases

Forestry Corporation completes systematic surveys of the forest estate, using industry experts, to assess forest health and detect exotic incursions and possible outbreaks of pests and diseases of forests and timber. Reports on health surveys detail the location, extent and severity of detected damaging pests, diseases, weeds and climatic factors with recommended corrective actions.

Storm and flood damage

Thinning programs are designed to reduce susceptibility to windthrow, which is the bending, breaking or uprooting of trees due to wind damage. Forestry Corporation also maintains capacity for quick action to salvage damaged plantations and repair roads and other infrastructure damaged by storms.

Meeting supply commitments

Complex planning and review processes are undertaken over the long and medium term to ensure Forestry Corporation can meet customer agreements. Contracts also contain Force Majeure provisions.

Significant downturn in timber demand

Forestry Corporation has limited ability to reduce operating costs if demand falls. To limit financial impacts, Forestry Corporation is diversifying its product mix and participating in industry-wide campaigns to promote the use of wood.

Cyber security

Forestry Corporation has an information technology steering group reporting to the senior management team on information security matters, including IT infrastructure and disaster recovery. Further details are provided in the attestation below.

An audit into the performance of Forestry Corporation's cyber security systems identified some areas for improvement.

Cyber security attestation

Governance is in place to manage the cyber security maturity and initiatives of Forestry Corporation of NSW. Risks to the information and systems of Forestry Corporation have been assessed and are managed. There exists a current cyber incident response plan for Forestry Corporation which is tested annually, or more frequently as required. Forestry Corporation has an Information Security Management System (ISMS) or Cyber Security Framework (CSF) in place.

Forestry Corporation is doing the following to continuously improve the management of cyber security governance and resilience:

- The latest anti-virus, ransomware, email and Web content filtering and firewall software are used to protect all in-house systems and security protocols are in place for cloud-based systems.
- Security of systems is routinely tested throughout the year and detailed IT security audits are conducted by specialist external service providers in accordance with the internal audit plan and as required.
- The security settings of Forestry Corporation's systems were assessed by Ernst & Young against the Australian Signal Directorate's 'Essential Eight' mitigation strategies as part of the audit program in recent years and new technologies and software solutions are continually being explored.

Insurance

Forestry Corporation maintains extensive insurance coverage. Policies in place for the year were for Worker's Compensation as per current NSW Legislation, Public Liability, Professional Indemnity, Product Liability, Directors & Officers, Personal Accident (volunteers, travel domestic and abroad) Property and Motor Vehicle.

From 30 June 2015, all insurance cover has been administered under the Treasury Managed Fund (TMF), which is the NSW Government's self-insurance scheme.

Forestry Corporation no longer holds a Workcover NSW self-insurance licence, however remains responsible for the tail management of workers' compensation claims incurred whilst licensed as a self-insurer.

Exemptions from reporting provisions

Statutory requirements	Statutory references *	Comments
Paying accounts ▪ performance in paying accounts, including action to improve payment performance	Schedule 1 ARSBR	Statutory State Owned Corporations are not subject to account payment provisions in section 13 of the Public Finance and Audit Regulation 2015
Time for paying ▪ reasons for late payment ▪ interest paid due to late payments	Schedule 1 ARSBR	As above

* Annual Reports (Statutory Bodies) Regulation 2015.

PLACES OF BUSINESS

Forestry Corporation Head Office
121–131 Oratava Ave
West Pennant Hills
NSW 2125

Major regional offices are listed on the Forestry Corporation website.

Contact us

Post:
PO Box 100
Beecroft
NSW 2119
Phone: 9872 0111

www.forestrycorporation.com.au

info@fcnsw.com.au

Enquiries about visiting forests: 1300 655 687

Forestry Corporation's enquiry line and head office are staffed Monday-Friday between 9am and 5pm. Information about opening hours for regional offices is available on Forestry Corporation's website.

State forests are free to visit and open 24 hours a day, 365 days a year, except Cumberland State Forest and Strickland State Forest. Opening times for these forests and temporary closures of any other forests are listed on Forestry Corporation's website.

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Forestry Corporation

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