Forestry Corporation

ANNUAL REPORT 2014–15

Forestry Corporation Annual Report 2014–15

Written and compiled by Forestry Corporation of NSW.

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Letter of compliance

30 October 2015

The Hon. Gladys Berejiklian, MP
Treasurer
Parliament House
Macquarie Street
Sydney NSW 2000

The Hon. Dominic Perrottet, MP
Minister for Finance, Services and Property
Parliament House
Macquarie Street
Sydney NSW 2000

Dear Treasurer and Minister

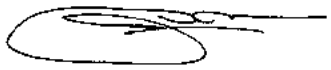
We are pleased to submit the Annual Report for Forestry Corporation of NSW (Forestry Corporation) for the year ending 30 June 2015 for tabling in Parliament.

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

The report has been 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

Nick Roberts
Chief Executive Officer

Chairman and CEO report

Forestry Corporation of NSW has consolidated its commercial focus in the financial year ending 30 June 2015 (FY15), delivering a strong financial result benefitting from reduced costs following major restructuring during FY14 and strong sales on the back of the improved housing market.

The corporation returned an underlying profit of $52 million, measured in terms of earnings before interest and taxes (EBIT), 46 per cent higher than last year. EBIT margins are at an all-time high of 16 per cent, facilitating the declaration of $19 million in dividends.

The Hardwood Forests Division (HFD) returned a positive EBIT for the first time in over ten years. This is a landmark result as the Division endeavours to stand on its own financially. The result was underpinned by over $5 million of cost savings achieved through implementation of a new functional operating model.

The Softwood Plantations Division (SPD) has returned a profit of $53.6 million, $2.7 million better than target, boosted by strong underlying demand in the housing market, which lifted softwood sales. The corporation's revenue was down on last year by 2 per cent mainly due to a decline in export sales in SPD as a result of weak Chinese log prices.

Ongoing Community Service Obligation (CSO) funding from the NSW Government ensured we could continue to deliver valued services to regional communities. Efficient management of these funds and targeted spending has delivered real value for money to shareholders and taxpayers. Additional funding for firefighting has further enhanced protection of regional communities and dedicated resources to facilitate forest tourism on the south coast are laying the groundwork for improved community facilities over the long term.

Careful management of working capital and capital expenditure enabled the corporation to maximise cash flows and repay almost $20 million of borrowings during FY15, placing it in a stronger position for the future.

In recognition of sustained improvement in financial performance and the strength of the balance sheet, Moody's upgraded the corporation's credit rating to investment grade, a notable achievement for a business of this size.

The market outlook for the next 12 months is uncertain. While underlying housing demand looks to remain strong domestically, there is a continuing trend towards multi-dwelling housing construction and strong import competition from European saw millers who are building market share at the expense of our customers. In addition, while the Australian dollar has weakened, demand for logs from China has continued to decline and prices have dropped, making this a very challenging market to participate in. In this regard, the corporation will remain focused on its domestic customer base and continue to improve its customer service in FY16.

Solid financial performance rests on a focused business strategy with a high performing work culture at its heart. The corporation undertook its first Employee Engagement Survey in FY15 and is now acting on the results as it looks to improve performance through engagement. This will be a focus in FY16 and one which will no doubt pay dividends in the long term.

As part of the corporation's work to improve leadership, the executive team participated in the Life Styles Inventory (LSI) leadership initiative with the objective of enhancing constructive leadership behaviours. This involved a 360 degree feedback process, coaching and re-testing to measure improvements. The executive found this to be a valuable tool and the process will now be rolled out to regional leadership teams over FY16.

For staff more broadly, the corporation successfully negotiated a new Enterprise Agreement for implementation at the start of FY16. The renegotiation has seen senior managers transfer to individual employment contracts while the Enterprise Agreement continues to be simplified. A number of projects were undertaken aimed at increasing business efficiency and performance, such as the payroll transformation project and upgrading the IT network. A new risk and incident management tool, Riskware, is now the single repository for all corporate risks and details of any safety or environmental incidents.

The safety of our people is paramount and the corporation is pleased to report improvements in safety this year. The Total Recordable Injury Frequency Rate (TRIFR) for the year was 2.9 injuries per 200,000 hours worked compared to 3.6 for FY14. With a target of less than one, there is more work to be done but this is a positive trend achieved nonetheless. The corporation's Health and Safety Management System underwent an external audit against the national safety standard AS4801 and achieved a very pleasing 98 per cent compliance.

Enhanced use of technology is revolutionising the corporation's work in the forest and improving environmental compliance. Use of iPads in the field is increasing with most field-based staff now having access to iPads with the corporation's in-house developed FCMapApp loaded. This allows staff to record terrain and forest features live with satellite-assisted GPS ensuring accurate geolocation. Computers in the heads of harvesting machines are storing information about every tree and log cut, allowing optimisation of the log products cut from each tree and vastly improving the value of the products drawn from the forest.

The long-term viability of the business rests on the sustainability of the forest. Achieving a balance between commercial results, community expectations and securing the long-term resource is critical. Progress has been made on the remake of the Integrated Forestry Operations Approval (IFOA) for the coastal native forests, which will streamline environmental regulation. Updated Forest Management Plans were prepared for both the SPD and coastal forests of the HFD and will be on public exhibition in FY16 ahead of our re-certification audit against the Australian Forestry Standard (AFS).

The high quality of the corporation's visitor sites was recognised with Old Bottlebutt in Burrawan State Forest on the mid north coast being named a finalist at the Australian Tourism Awards.

The business results of the corporation are encouraging and they could not have been achieved without the commitment of our staff, who continue to represent the organisation with great dedication and professionalism.

FY15 has seen strong results delivered across all four areas of our business sustainability framework – our business, our environment, our community and our staff. 2016 will mark the centenary of the corporation and its predecessors. The Board and management of Forestry Corporation are proud of the organisation's history and looking forward to a sustainable future founded on the sustainability of the forest.

James M. Millar AM
Chairman

Nick Roberts
Chief Executive Officer

Financial summary

The corporation's financial performance this year was extremely strong with profits at a 10-year high.

Overall performance exceeded expectations with an EBIT result of $52 million, $6 million better than the corporation's performance agreement with the NSW Government, the Statement of Corporate Intent (SCI). Dividends of $19 million were declared in FY15, almost double last year's dividend and $2 million better than the SCI expectation.

Profit has been boosted by strong underlying demand in the housing market and while revenue was down on last year by 2 per cent, and behind the SCI by $15 million mainly as a result of decreased export sales in SPD, strong prices and cost reduction initiatives in the prior year yielded dividends. Cost reduction initiatives continued to reduce operating expenditure and further lifted underlying profitability.

Financial performance and shareholder return

EBIT margins are extremely strong at 16 per cent, indicating that the corporation is converting its revenue into profit efficiently. Profit has been boosted by strong softwood sales as a result of underlying demand in the housing market.

Notably, the HFD returned a positive EBIT of $1.98 million, its first profit result in over a decade. This achievement has been the culmination of a concerted strategic effort over several years and the turnaround driven by increased efficiency, reduced costs and improved accountability.

Cash flow from operations was 11 per cent better than last year and FY15 saw cash payments of $20 million in taxes and dividends to the NSW Government. Prudent management of capital enabled the corporation to retire $20 million of debt further strengthening the financial position for future years.

A strong balance sheet

The corporation's robust balance sheet was further strengthened with major assets, standing timber in softwood plantations, increasing $76 million in value in FY15. This result is testament to the strong underlying market demand and was recognised in the balance statement as a significant item.

The lift in the corporation's credit rating to investment grade was a solid result and demonstration of sustained gains in financial performance.

The strong profit position boosted return on equity to 4.2 per cent, 120 basis points better than last year.

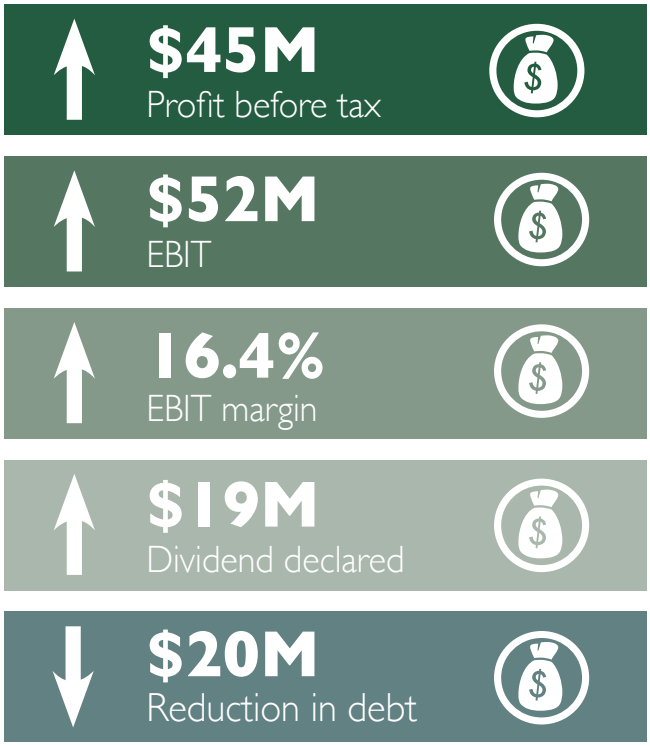
Financial ratios, such as liquidity and debt, have improved over last year, with interest cover at an impressive 7.1 times.

A $4.5 million non-recurring charge to the income statement for the change in defined benefit superannuation liabilities (actuarial assessment) was also recognised as a significant item for FY15.

Future focus

The uncertain market outlook for the next 12 months will see the corporation focusing on its domestic customers and continuing to build efficiencies and strategically capitalise on any opportunities the market presents.

In FY16 the corporation is re-defining its corporate business strategy. This initiative involves input from staff throughout the business and will represent a blueprint for the business's trajectory over the coming years.



Financial highlights

Key financial data					2015 SCI peformance[2]		
Year ended 30 June		2013	2014	2015	SCI	Variance	
Revenue[1]	$m	310	324	317	332	(15)	●
Operating profit[1]	$m	19	27	45	37	8	●
EBIT[1]	$m	28	36	52	46	6	●
Dividend payable	$m	9	10	19	17	2	●
Borrowings	$m	131	108	89	105	(16)	●
Key ratios							
Return on equity	%	2.5	3.0	4.2	2.0	2.2	●
EBIT margin[1]	%	9.0	11.0	16.4	13.8	2.6	●
Liquidity ratio	times	1.4	1.5	1.4	1.3	0.1	●
Debt ratio	%	39.8	40.6	39.8	40.3	(0.6)	●
Interest cover	times	2.9	4.0	7.1	5.4	1.7	●

[1] *Excludes significant items such as revaluation impact, impairments and impact on superannuation funds, before taxes.*

[2] *Green indicates performance is on target; Red indicates the target was missed.*

Operational overview

Hardwood Forests Division

The HFD has stewardship of over 2 million hectares of forest and supplies timber from coastal native forests and hardwood plantations as well as cypress and red gum forests in the state's west.

FY15 saw the HFD deliver an EBIT profit result for the first time in over a decade. The division rose to the challenge of bedding down the new operational structure and building strong, cohesive teams focused sharply on the key functional roles. Their dedication and commitment throughout the business drove this result and is to be commended.

Throughout the year, the corporation worked to supply hardwood customers with the quantities and species mix to satisfy market demands. The NSW Government's decision to buy back 50,000 m^3 of timber allocation from Boral on the north coast was implemented and additional concerns from industry are being considered by Government in FY16 through the Natural Resources Commission.

It should be noted that the volume of timber supplied from western NSW was down after the closure of the Gunnedah Mill in September 2014 and the wood supply agreement holder taking significantly less than their annual allocation. The corporation and the customer have since mutually agreed to terminate the wood supply agreement.

Preparations were made for a small-scale trial on the north coast testing the implementation of a number of proposed conditions of the IFOA. The IFOA remake is intended to maintain wood supply levels and achieve the same environmental outcomes while improving the clarity and enforceability of the regulations. The trials were undertaken jointly with the Environment Protection Authority (EPA) to test a number of scenarios and sought to clarify the resulting resource assessments from these treatments. The application of new technology like precision mapping and GPS systems were trialled. These are intended to improve efficiency, compliance and ultimately result in positive environmental outcomes.

It was opportune that the corporation experienced a moderate to normal fire season in FY15 as it worked through delivering fire management in the new functional operational model. To enhance skills and ensure preparedness, five training camps were held across the State with over 230 participants, and around 220 casual and temporary staff were engaged across the business, resulting in a greater number of fit and trained firefighters being available to the division over the summer months than in recent years. This model will be replicated in FY16 and preparation is well underway to ensure resources are available for firefighting when needed.

The skill and experience of the corporation's firefighters was called upon in February 2015 with seven specialist hardwood forests staff members deployed to Western Australia to assist local Parks and Wildlife officers manage fires in that state.

Visitor sites on the State's north coast were again recognised, winning five regional awards including the Hall of Fame award for eco-tourism for Strickland State Forest in recognition that this forest has been awarded three consecutive gold awards for the Hunter and Central Coast region. The State tourism awards yielded a further two silver awards and a gold award, which saw Burrawan State Forest progress through to the Australian Tourism Awards.

On the north coast, the corporation's roading team worked in partnership with the National Parks and Wildlife Service (NPWS) to upgrade 100 km of road in State forests primarily for community use. Recognising the corporation's significant roading skills and experience, its team was also contracted by NPWS to undertake maintenance of 75km of road in the NPWS estate.

On the south coast the corporation partnered with the Parks Australia to assist in relocating poteroos from a healthy-sized population in Nadgee, Bruces Creek, Timbillica and Yambulla State forests near Eden to Booderee National Park. A long-term predator control program across 100,000 hectares of the landscape had helped build a strong population in the State forests, enabling 15 carefully selected poteroos to be successfully relocated to build a new population in the park.

Softwood Plantations Division

The SPD manages over 200,000 hectares of plantation pine in the central, south and north-west of the state, providing a renewable source of timber for industry and supporting regional communities.

The export of radiata pine logs from Walcha to China was successfully established in FY15. This initiative sought customers for an otherwise under-utilised resource. The infrastructure, relationships and know-how are now in place and the corporation is ready to grow the export volume when the market turns upwards.

In the south of the state, the Lunds Fire burnt through 200 hectares of plantation in January 2015, affecting 120,000 tonnes of timber. The corporation committed significant resources to controlling the fire which was attributed to an escaped campfire, and appreciated the cooperative assistance of the Rural Fire Service (RFS). In the aftermath, 32,000 tonnes of timber was recovered and sold from the initial salvage operation and additional salvage will be undertaken in FY16 to draw maximum value from the situation.

Underpinning the sustainability of future log supply, Blowering Nursery produced 6.3 million seedlings at or above specifications and delivered this feat at less than budget unit cost. In total, 7.8 million seedlings were dispatched for planting in softwood plantations from the nurseries at Blowering and Grafton.

Over 9260 hectares of land was re-established as plantation, meaning a greater area was re-planted than was harvested in the last year. Maximising the land stocked with trees will enhance the value of the plantation estate and ensure the sustainability of the timber supply.

Uptake of technology soared in FY15 with staff now able to interact directly with the corporation's Geographic Information System through iPads in the field. In-built computers in the harvesting machines store information about logs cut, enabling staff to monitor production levels, log stocks and products produced. Sharing this information with customers means they have visibility of the products that will be delivered to them a day or so in advance. In FY16, smartphone technology is expected to facilitate paperless log transactions, with load data captured in the truck and downloaded onto the customers' weighbridge system, as well as the corporation's systems, to provide live delivery information and improve customer service.

2 million
hectares of forest managed

8 awards
for tourism at visitor sites

3.6 to 2.9
reduction in recordable injury rate

7.8 million
seedlings dispatched for planting

11 staff awards
for high performance

32,000 tonnes
timber recovered after fire

Corporate governance

Charter

Forestry Corporation of NSW is constituted under the *Forestry Act 2012* (the Act), and is subject to the direction of the Board of Directors.

As a public land manager, Forestry Corporation receives funding from the NSW Government to provide specific public services such as educational and recreational facilities. However, the Forestry Corporation's primary source of funds is revenue associated with the sale of timber and services provided (95 per cent).

Under the objectives set out in the Act the 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.

Board of Directors

The Board is constituted under the *Forestry Act 2012* and is accountable to the voting shareholders as set out in the *State Owned Corporations Act 1989*. Forestry Corporation has two shareholding Ministers, namely the NSW Treasurer and the Minister for Finance, Services and Property, who each hold one share for and on behalf of the NSW Government.

The Board comprises four non-executive directors and the Chief Executive Officer as an executive director. All non-executive directors were appointed for the skills they offer to the corporation and are considered independent in accordance with NSW Treasury Guidelines for Boards of Government Businesses.

The Board was appointed on 1 March 2013 for a period of three years. The directors are:

- **Mr James M. Millar AM – Director and Chairman**
  James is an experienced corporate executive advisor and a director of a number of companies and organisations. He is also a director, trustee or member of a number of not-for-profit and charitable organisations. James is the former Chief Executive Officer and Oceania Area Managing Partner of Ernst & Young and was a member of the Ernst & Young Global Board. James holds a BCom from the University of NSW, and is a Fellow of the Institute of Chartered Accountants and a Fellow of the Australian Institute of Company Directors.

- **Ms Sarah Kearney – Director and Chair Human Resources Committee**
  Sarah is a Director of Performance Insights and has extensive experience as a consultant in designing and implementing people management strategies, particularly around enhancing leadership capabilities and changing organisational culture. Sarah is the former Managing Director of global HR consulting organisation, SHL Australia and New Zealand. Prior to taking on this role she was National Consultancy Director for SHL. Sarah has worked with companies from a broad range of industry sectors in Australia and overseas. Sarah holds a BSc (Psychology) from the University of NSW.

- **Mr Geoffrey R. Applebee – Director and Chair Audit and Risk Committee**
  Geoff has built a long career in the accounting profession, including 22 years as a Partner with Ernst & Young and currently is the Non-Executive Chair of a mid-tier accounting firm. He is a director of a number of Australian companies and community organisations. Geoff holds a BA (Accounting) and is a Fellow of the Australian Institute of Company Directors and a Fellow of the Institute of Chartered Accountants in Australia. Geoff has also advised and chaired a number of audit and risk committees.

- **Mr Noel Cornish – Director**
  Noel has extensive global business management experience. His former roles include Chief Executive of BlueScope Steel Limited's Australia and New Zealand steel manufacturing business and President of Northstar BHP LLC in Ohio, USA. Noel is a director of a number of companies and holds appointments in a number of sectors including energy, education, finance and manufacturing. Noel holds a BSc (Metallurgy) and MEngSc from Newcastle University and also studied at the University of Michigan Business School.

- **Nick Roberts – CEO and Executive Director**
  Nick has significant experience in the forest and timber industry, including five years as Managing Director of Weyerhaeuser Australia and eight years as chief executive officer of NSW's largest commercial forest manager. He has been actively involved in industry associations, chairing A3P and serving as a Director of Forest and Wood Products Australia. He currently chairs an Australia-wide timber industry safety committee. Nick holds a BSc (Forestry) (Hons) and a MSc (Forestry), and is a GAICD. Nick has also studied at the Stanford University Business School.

Board role

The primary objective of the Board is to build long-term value in the Forestry Corporation for the people of NSW. The role of the Board as outlined in the Board Charter includes:

- providing direction and approval of corporate strategies, policies and key performance targets
- protecting and augmenting Forestry Corporation's performance and building sustainable value for shareholders
- monitoring management performance against targets
- setting, reviewing and ensuring compliance with Forestry Corporation's values and governance framework
- ensuring shareholders are kept informed of Forestry Corporation's performance and major developments.

Board meetings

Nine Board meetings were held during the reporting period. Board attendance is outlined below:

Member	Number of meetings attended	Number of meetings eligible to attend
Mr James M. Millar AM Chairman	9	9
Ms Sarah Kearney	8	9
Mr Geoffrey R. Applebee	9	9
Mr Noel Cornish	9	9
Mr Nick Roberts	8	9

The Board held one meeting in Coffs Harbour in July 2014 and one in Eden in May 2015, and on both occasions it took the opportunity to visit forest operations, a Forestry Corporation production nursery and local sawmillers.

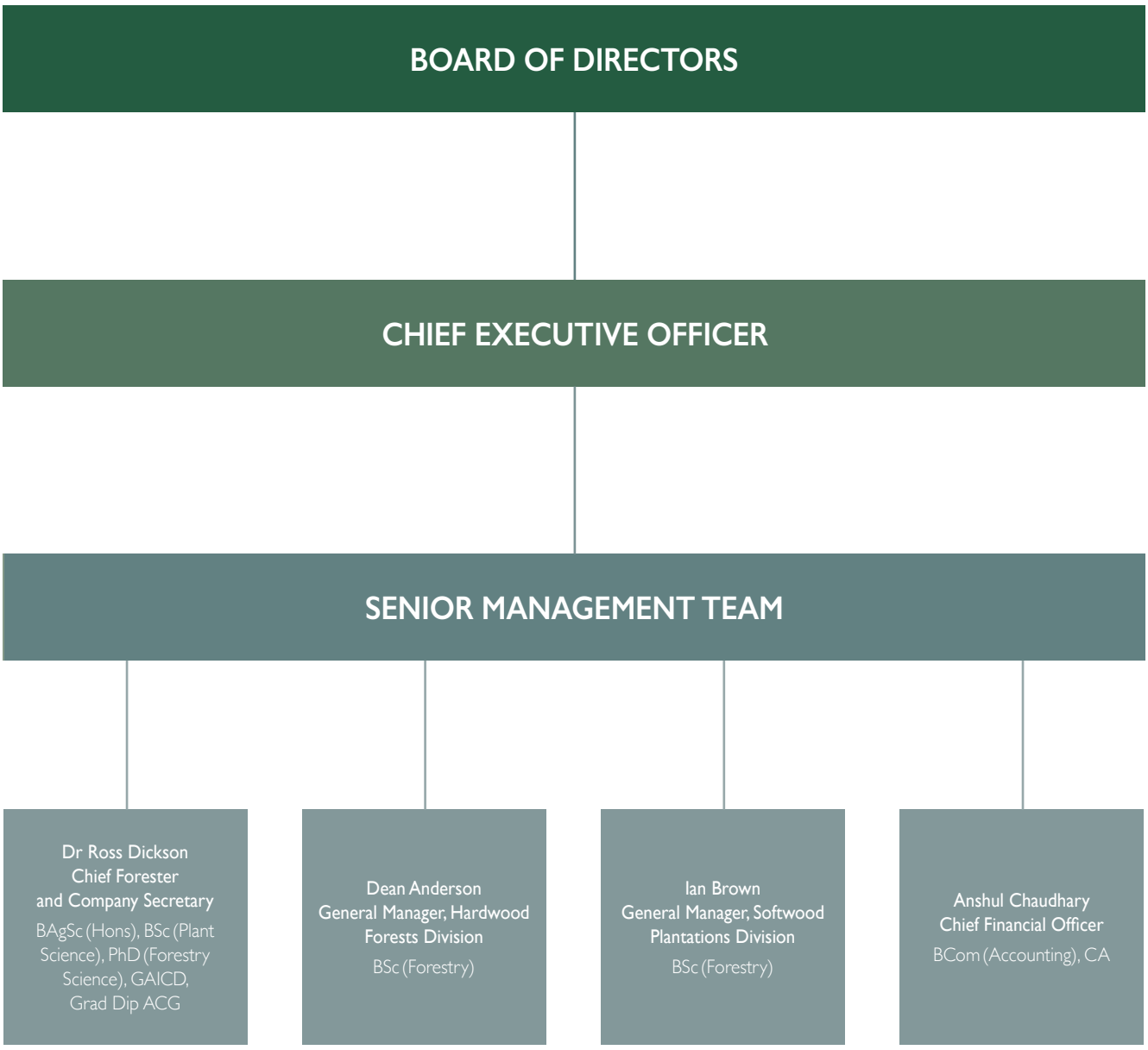
Board committees

The Board is supported by two committees, the Audit and Risk Committee and the Human Resources Committee. Working groups comprising independent directors and management support both committees.

There was one formal meeting of the Human Resources Committee during the reporting period, and the Human Resources Working Group met on four occasions to discuss matters being considered at Board meetings. The Audit and Risk Committee met on three occasions and the Audit and Risk Working Group met on four occasions.

Organisational structure

Forestry Corporation's senior management team consists of the CEO and four divisional managers. The management team structure and responsibilities are listed below:



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

- hardwood marketing and timber sales
- native forest stewardship
- forest management planning
- timber harvesting and roading operations.

- softwood marketing and timber sales
- planted forest stewardship
- forest management planning
- timber harvesting and roading operations
- Blowering production nursery.

- corporate finance
- tax and treasury
- business analysis
- commercial finance
- shared services
- information technology
- strategic planning.

Statutory information

Chief Executive's performance

Trading name	Forestry Corporation
Position	Chief Executive
Period	1 July 2014 to 30 June 2015

Mr Nick Roberts is accountable to me for performing all the functions of the Executive Director under the *Forestry Act 2012* and for implementing government policy.

I am satisfied that Mr Roberts has met the performance criteria established for the position. Key tasks have been undertaken to achieve operational requirements and leadership has been provided to deliver outcomes consistent with government policy.

As Executive Director, Mr Roberts was responsible for:

- successfully improving efficiency and customer service throughout the corporation and reducing costs
- improving safety performance by maintaining a strong focus on safety
- delivering a strong financial performance including:
  - earnings before interest and tax of $52 million
  - dividend declared to NSW Treasury of $19 million
- maintaining adequate digital information and information systems security
- demonstrating Forestry Corporation's sustainable forest management through continuing certification to the Australian Forestry Standard AS 4708 and ISO 14001 (Environmental Management System).

James M. Millar AM
Chairman of the Board of Directors
Forestry Corporation of NSW

Consultants

$50,000 or less (per consultant)	
Subject area	Amount
Engineering	41,595
Environmental	44,492
Finance	15,720
HR	221,147
Internal audit	17,632
IT	59,086
Management services	95,365
Marketing	3,120
Organisational review	117,319
Training	85,257
Grand total	700,732

$50,000 or more		
Subject area	Vendor	Amount
Engineering/training	GeoTrack Engineering	86,661
Organisational review	Centre for Intelligence	83,618
IT	RPS Australia East Pty Ltd	54,286
Management services	Lofberg Investment	53,354

Cost of Annual Report

The total external costs incurred in the production of the Forestry Corporation Annual Report for FY15 were approximately $7441 excluding GST. The Annual Report is available on the corporation's website www.forestrycorporation.com.au.

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 CEO or relevant senior manager approves all expenses associated with card use.

Credit card use has been in accordance with the Premier's Memoranda and Treasurer's Directions.

Finance information

Debt management

At 30 June 2015, the corporation's total borrowings were $89 million (FY14: $108 million). The debt portfolio was sourced entirely through NSW Treasury Corporation and is actively managed to limit the cost of funds.

Debt portfolio performance

	Forestry Corporation	Benchmark
Market valuation 30 June 2015*	$99 million	N/A
Generalised cost of funds	5.50%	5.55%

** Market value 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 2015, 100 per cent of total debt was charged interest at the fixed rate.

Investment management performance

At 30 June 2015, the corporation's financial investments were $14.66 million (FY14: $10.68 million). The investment portfolio's performance is benchmarked against the NSW Treasury Corporation's hourglass cash facility, consistent with NSW Treasury guidelines and to maximise investment returns while maintaining appropriate risk controls.

Interest of $539,626 (FY14: $755,425) at a yearly rate of 2.75 per cent (FY14: 2.92 per cent) was received from Treasury Corporation on its amounts lodged on 24-hour call facility.

Payment of accounts

Accounts paid on time

Quarter	Target %	Actual %	Total amount paid $	Actual $
All suppliers				
September	90	96.66%	70,357,890	72,791,574
December	90	98.46%	47,901,887	48,651,698
March	90	98.03%	50,679,426	51,697,700
June	90	96.58%	35,944,543	37,215,849
Small business suppliers				
September	90	99.45%	14,082,077	14,159,283
December	90	98.85%	8,866,650	8,969,565
March	90	97.79%	10,309,222	10,542,317
June	90	97.59%	7,643,310	7,831,995

Forestry Corporation exceeded its targets for accounts paid on time during FY15 and will continue working to maintain its performance.

Aged analysis

Quarter	Current (within due date) $	Less than 30 days overdue $	Between 30 and 60 days overdue $	Between 60 and 90 days overdue $	More than 90 days overdue $
All suppliers					
September	66,186,714	4,171,176	2,192,832	132,631	108,220
December	45,222,448	2,679,438	412,195	147,816	189,799
March	47,007,226	3,672,200	489,601	366,045	162,628
June	33,041,124	2,903,419	922,576	173,251	175,480
Small business suppliers					
September	12,975,195	1,106,882	37,142	28,298	11,767
December	8,297,593	569,056	73,953	17,583	11,379
March	9,445,774	863,448	104,016	100,051	29,028
June	6,863,595	779,715	150,893	19,795	17,998

Government Information Public Access

There were 13 valid Government Information Public Access (GIPA) applications received between 1 July 2014 and 30 June 2015. One application was received prior to 30 June 2014 but a decision on this was made after 30 June 2014 and is included in this report. The decision on one application was pending as at 30 June 2015 and will be included in next year's report.

The applications predominantly sought information on the management of State forests, timber supply, and mining on State forests, and included requests around the management of threatened species and flora and fauna generally.

A number of documents, including policies and harvest plans for native forest operations, were released proactively and are available through the corporation's website.

Number of Government Information Public Access applications by type of application and outcome*

	Access granted in full	Access granted in part	Information not held	Access refused in full	Refused to deal with
Media	–	–	–	–	–
Members of Parliament	2	–	–	–	1
Private sector businesses	–	–	–	–	–
Not-for-profit organisations or community groups	1	3	2	1	–
Members of the public (application by legal representative)	2	1	–	–	–
Members of the public (other)	2	1	–	–	–
Total	7	5	2	1	1

** No applications fell into the following categories, and hence these categories have not been included in the table above: Information already available; Refused to confirm/deny whether information is held; Application withdrawn.*

In some cases more than one decision has been made in respect to a single application.

Statutory information *continued*

Human resources

As at 30 June 2015, Forestry Corporation employed 582 people. This figure comprised 315 employees primarily involved in management, administration and technical roles, and 267 primarily engaged in timber marking, mechanical trades, road construction and maintenance, tree planting and pruning, nursery work, forest conservation and fire protection.

Employee numbers – three-year trend (Full Time Equivalent)

Year ended 30 June	Office-based	Field-based	Total
2013	366	306	671
2014	337	255	592
2015	315	267	582

Trends in the representation of EEO groups

EEO group	Benchmark or target	FY13	FY14	FY15
Women	50%	17.30%	16.30%	17.20%
Aboriginal and Torres Strait Islander peoples	2.60%	2.20%	1.90%	3.80%
People whose first language is not English	19%	3.70%	3.50%	6.30%
People with a disability	N/A	4.50%	3.70%	4.60%
People with a disability requiring work-related adjustment	1.5%	N/A*	N/A*	N/A*

** Forestry Corporation currently does not capture this information.*

Trends in the distribution of EEO groups

EEO group	Benchmark or target	FY13	FY14	FY15
Women	100	116	106	111
Aboriginal and Torres Strait Islander peoples	100	N/A*	N/A*	83
People whose first language is not English	100	123	122	121
People with a disability	100	90	93	90
People with a disability requiring work-related adjustment	100	N/A**	N/A**	N/A**

** The Distribution Index is not calculated where Workforce Diversity group or non-Workforce Diversity group numbers are less than 20.*
*** Forestry Corporation currently does not capture this information.*

Equity, diversity, multiculturalism and equal employment opportunity

Forestry Corporation values the contributions that people from a range of backgrounds with diverse experiences can make to the work environment. The Equity and Diversity Policy (a Forestry Corporation Board policy) was in place during FY15 and an equity and diversity survey of staff was undertaken to gather baseline data to inform the Board objectives and targets for achieving diversity in the workplace.

The corporation is committed to fostering an inclusive and collaborative workplace culture through implementation of the following principles:

- providing equal opportunities with appointment based on capability, performance and potential
- maintaining workplaces free from unlawful harassment, bullying and victimisation
- encouraging a workplace culture displaying fair practices and behaviours.

Equal employment opportunity planning is also dealt with in State legislation. Workforce diversity obligations are established under section 63 of the *Government Sector Employment Act 2013*. The effect of this legislation is to make the head of a State Owned Corporation responsible for workforce diversity.

Gender distribution of senior executives in FY15

Band	Gender	
	Female	Male
Band 4 or above	–	1
Band 3	–	0
Band 2	–	3
Band 1	–	1

Gender distribution figures in FY14 were identical to FY15.

Aboriginal employment strategy

Forestry Corporation has further enhanced its partnerships with local communities. In FY15, our partnerships with MEGT and Auswide Services have strengthened and the corporation has successfully supported both full-time and school-based trainees.

To date, through our partnership with MEGT and TAFE NSW Riverina Institute, we have supported five full-time trainees through a fast-paced 12-month program, which resulted in them successfully completing Certificate III in Forest Growing and Management. This program will continue into FY16 with a further two positions available for full-time trainees.

In the south of the State, the corporation has continued its school-based trainee program in partnership with the Australian Training Company, with two students progressing through Certificate II in Forest Growing and Management. This is a two-year program and will continue into FY16.

Structural adjustment

In FY15, the corporation continued to review its workforce and internal organisational structures. Four reviews were undertaken during the year including the restructure of Land Management and Forestry Services Branch (now Corporate Resources Division), restructure of Finance and Technology Branch, closure of Cumberland Retail Nursery and realignment of Blowering Nursery. These reviews were undertaken to streamline functions, re-engineer business processes and to further strengthen Forestry Corporation's commercial operating position.

Salary and wage movement

Forestry Corporation employees are covered by an enterprise agreement. The Enterprise Agreement 2012 provided a 2.5 per cent pay increase (covering wages and wage-related allowances) for all staff covered by the agreement, payable on the first pay period on or after 1 July 2014. A new enterprise agreement was negotiated during FY15 and will come into effect in FY16.

Average remuneration of senior executives

Band	FY14 $	FY15 $
Band 4 or above	425,605	533,997
Band 3	–	–
Band 2	262,022	296,649
Band 1	229,951	259,737

Around 2.8 per cent (FY14: 1.99 per cent) of employee-related expenditure during the reporting year related to senior executives.

Training and organisational development

FY15 saw significant investment in corporate and operational training for staff across the organisation.

Technical skills

Forestry Corporation has continued to demonstrate industry best practice by focusing on the regular upskilling and reassessment of staff for core technical skills against units of national competency. To strengthen this, the corporation undertook a review of core technical skills assigned to positions to ensure we have the best approach to maintaining compliance training and ensuring that staff are competent for the activities they perform.

In FY15, the corporation also undertook a large-scale review to ensure that staff involved in the planning and supervision of road and crossing construction and maintenance were adequately trained and equipped with current knowledge and best practice for this activity. This review resulted in 130 staff being trained to ensure that road and road crossing construction and maintenance is carried out in a manner that is a safe, efficient and cost effective, and aligns with Forestry Corporation's business needs and environmental values.

The corporation adheres to the principle of continuous improvement and as such will conduct further reviews in the organisational development field in FY16.

Performance framework

In FY15, the corporation continued to focus on cultural change within the business. Training was provided to all reviewers and staff on career planning and development to assist them to create individual development plans.

Reward and recognition program

The Forests Peak Performer Reward and Recognition Program continued in FY15, with awards received by employees for leadership in safety and environment, commercial innovation and performance excellence.

Leadership development program

The Life Styles Inventory (LSI) was used to promote constructive change by providing feedback to the senior management team on their leadership styles and providing executive coaching to assist them in developing more constructive styles of thinking and behaving.

Employee engagement

The inaugural Forestry Corporation employee engagement survey was conducted in FY15, providing a baseline from which to measure future improvement. AON Hewitt was engaged to conduct the survey and facilitate action planning sessions to develop Engagement Improvement Plans throughout the business.

Legislation and legal issues

There have been no changes to the principle legislation relevant to Forestry Corporation's core activities during FY15. The corporation has not been involved in any significant legal proceedings during FY15.

Public Interest Disclosures

Forestry Corporation has a Public Interest Disclosures (PID) policy, which is available on the corporation's website.

The policy is supported by procedures for staff who are making and dealing with PIDs. The policy and procedures were made available to staff during FY15 via the intranet.

No PIDs were received during FY15.

Overseas visits

- In August 2015, Fire Training and Operations Coordinator, Cameron Wade travelled to New Zealand for the Australasian Fire and Emergency Services Authorities Council (AFAC) Conference.
- In September 2014, General Manager Hardwood Forests, Dean Anderson, and Senior Manager Marketing, Martin Grealy, travelled to China to attend the 4th Global Timber and Wood Products Trade Conference held in Qingdao. Industry meetings were also held during the visit.
- In November 2014, Manager Forest Information and Planning, Mike Sutton, and Remote Sensing Specialist, Tony Brown, travelled to New Zealand to present technical papers to the ForestTECH Conference
- In December 2014, Tree Improvement Officer, Troy Brown, travelled to New Zealand to attend the Radiata Pine Breeding Company's Technical Committee Meeting.
- In February 2015, Chief Forester, Ross Dickson, travelled to New Zealand for the Radiata Pine Breeding Company Board meeting.

Research and development

The NSW Department of Primary Industries (DPI) Forest Science group provides technical advice, and research and development services to the Forestry Corporation under a memorandum of understanding (MOU). This group has scientific and technical expertise in the core activities of forest ecology and sustainability, forest health and resource assessment, carbon in forests, wood products and bioenergy, and biometric services. Forestry Corporation invested $1.7 million in research and development under this MOU during FY15.

Recent research activities conducted by the DPI Forest Science group include:

Forest ecology

- Developing a spatial model for mapping the distribution of koala habitat
- Contributing to the implementation of a monitoring program for the Hastings River Mouse
- Completing another field survey campaign for birds and mammals in eucalypt

plantations in the Urbenville area for a program that has been tracking biodiversity trends from pre-establishment through to canopy closure

- Commencing the NSW Environmental Trust–funded project *Does thinning regrowth restore habitat biodiversity*
- Optimising acoustic survey methodology for monitoring bats in the forests of the Pilliga
- Representing forestry on the NSW Scientific Committee.

Forest health and biosecurity

- Completing annual aerial and ground surveys of the softwood and eucalypt plantation estate for pests and diseases
- Providing training for the Softwood Plantations Division staff in Sirex wood wasp management and conducting an audit of the Sirex biological control program
- Monitoring the successful establishment of the parasitic wasp released as a biological control agent for the *Essigella* pine aphid
- Developing a high spatial resolution model that predicts drought-induced mortality within Forestry Corporation radiata pine plantations.
- Continuing a research program into the impact of the exotic pathogen Myrtle Rust
- Commencing a Forests and Wood Products Australia (FWPA)–funded project *Evaluating the costs and benefits of new and existing biosecurity threats on Australia's plantation industry*
- Participating in the biosecurity audit of the Softwood Plantations Division
- Progressing national forest biosecurity arrangements, including contributing to the production of the national *Biosecurity Manual*
- Establishing a forestry biosecurity surveillance program for exotic pests and diseases at high-risk environs
- Contributing towards the eradication campaign for the exotic Giant pine scale.

Forest resource assessment

- Contributing towards the development of LiDAR-based plot imputation methodologies for predicting stand volume and timber products in pine plantations and native regrowth forests
- Analysing acoustic data for the assessment of the wood properties of slash pine and F2 hybrid southern pine
- Preparing a literature review of pine plantation silvicultural practices and their effect on wood quality
- Commencing a study analysing harvester head data in order to improve information provided to Forestry Corporation's softwood customers.

Forest carbon

- Submitting the final report for the FWPA project *Carbon stocks and flows in native forests and harvested wood products in South East Australia* which reports on the greenhouse gas implications of managing native forests near Eden and on the mid north coast of NSW
- Commencing a FWPA-funded project to develop methodologies under the Emission Reduction Fund for carbon sequestration benefits.

Biometrical assistance

- Providing statistical advice and training for the implementation of LiDAR-based plot imputation for native forests
- Completing the analysis of the Brooman rainfall/water quality study
- Continuing the analysis of data from the Eden burning study.

Forestry Corporation continued to chair the joint DPI/Forestry Corporation Animal Care and Ethics Committee, which oversees the issuing of Animal Research Authorities for forest-based fauna survey work.

Forestry Corporation collaborated on a number of FWPA-funded research projects including the e*Cambium* wood quality study; remote sensing of evapotranspiration project; and operational deployment of LiDAR-derived information into softwood resource systems project.

Forestry Corporation is also a shareholder in the Radiata Pine Breeding Company and Forestry Corporation's Chief Forester holds directorship of that company. Through this arrangement, Forestry Corporation has access to the company's radiata pine breeding research and development program.

Responding to community concerns

Forestry Corporation has received representations from the community on a range of issues including the environment, neighbour relations, recreation, land management, weed control and timber supply.

Community consultation continued as part of a whole-of-government process to improve the clarity and enforceability of environmental regulation by improving the coastal Integrated Forestry Operations Approvals (IFOAs).

A stakeholder engagement policy can be viewed on our website, outlining the corporation's commitment to facilitating opportunities for engagement with stakeholders.

Risk management, internal audit and insurance

Forestry Corporation has an internal audit charter under which an Audit and Risk Committee has been established.

For FY15 the corporation's risk management framework met the State Owned Corporation requirements set out in the NSW Treasury Policy TPP 09-5, and Australian/New Zealand Standard Risk Management – principles and guidelines (AS/NZS ISO 31000:2009 Risk Management).

Internal audit functions are undertaken for Forestry Corporation by an external service provider, selected from a shortlist of preferred providers, based on a tendering process. To ensure the independence of the audit process, the external service provider reports to the Audit and Risk Committee and has access to the Chief Executive Officer as required.

Four internal audits were conducted during the year, covering SCION sales system; softwoods resources and inventory; softwoods biosecurity; and the safety management system.

Risk management

The corporation has developed a risk matrix as part of its risk management strategy, and implemented risk management software in FY15 to facilitate risk ratings and incident reports and follow-up.

Identified risks, and management strategies put in place by Forestry Corporation to deal with them, are outlined below.

Bushfire

As part of normal fire management practices, 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. This is supported by well trained staff (including casual labour) available for immediate deployment using a heavy and light tanker fleet, and supported by a fleet of earthmoving heavy machinery and contract aircraft.

Outside the fire season, fuel loads in the forests are maintained through prescribed burning or grazing, and an extensive network of roads and fire trails is maintained.

Pests and diseases

Forestry Corporation undertakes systematic health surveys of the forest estate to assess forest health and to 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. Biosecurity arrangements for softwood plantations were audited and a number of improvements are being implemented.

Storm damage

Severe storms can damage trees, particularly young plantations. Thinning programs are designed to reduce susceptibility to wind-throw damage. No severe storm occurred during the reporting period, however Forestry Corporation has the capacity to quickly salvage plantations damaged by wind or storms and establish new forest.

Flood damage

Extreme storm conditions resulting in flooding can damage roads and limit productive harvesting capacity. Robust planning controls and strategies allow for flexibility in operations.

Meeting supply commitments

Effective strategic and tactical operational planning is undertaken to meet commitments in wood supply agreements. Appropriate scientific and technological tools and skill sets are employed in developing harvesting plans.

Significant downturn in timber demand

Forestry Corporation has no ability to control market demand and limited ability to reduce operating costs if demand falls. To limit financial impacts, Forestry Corporation is diversifying product mix and participating in industry-wide campaigns to promote the use of wood.

Business failure of a major customer

The internationalisation of ownership in the NSW softwood industry has made the collapse of one of the major processors unlikely. The global owners of these facilities have strong financial resources. In the hardwood sector, approximately 35 per cent of Forestry Corporation's trade is with one major customer. This customer is a large national building products company whose hardwood timber production is dominated by high value adding activity. Through its credit policy and financial management, Forestry Corporation maintains adequate security (from partially secured to fully secured, pay-in-advance and bank guarantees), monitors customers' accounts and checks the financial health and creditworthiness of customers.

Strategies are in place to deal with other risks identified in Forestry Corporation's risk register. These risks are:

- inadequate planning and planning controls
- inadequate health and safety measures
- lack of harvest and haulage contractors
- lack of environmental sustainability
- loss of commercial viability
- failure to meet social responsibilities
- poor management and access to information
- inadequate or inappropriate workforce management.

Insurance

Forestry Corporation maintains extensive insurance coverage. Policies in place for the year were for Combined General Liability, Excess Liability, Motor Vehicle, Industrial Special Risks Group, Group Personal Accident (Volunteers), Corporate Travel, Marine Cargo Insurance and Officer's and Employer's liability under the *Workers Compensation Act 1987*.

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

Furthermore, as of 30 June 2015, Forestry Corporation does not hold a WorkCover NSW self-insurance licence. However, it will be responsible for the tail management of workers' compensation claims incurred whilst licensed as a self-insurer.

Digital information security attestation

Forestry Corporation had an Information Security Management System in place during the FY15 consistent with the Core Requirements set out in the Digital Information Security Policy for the NSW Public Sector.

The security controls in place to mitigate identified risks to the digital information and digital information systems of Forestry Corporation are adequate for the foreseeable future.

Forestry Corporation has not maintained certified compliance with AS/NZS ISO/IEC 27001 Information technology–Security techniques–Information security management systems as the risk profile of Forestry Corporation is not sufficient to warrant certification.

Forestry Corporation has an information technology steering group reporting to the senior management team on information security matters, including IT infrastructure and disaster recovery.

Implementation of price determination

Forestry Corporation, in the most part, has implemented the 2006 Independent Pricing and Regulatory Tribunal (IPART) Review of Rental Arrangements for Crown Land Communication Tower Sites for rental of communication towers on State forests as permits have come up for renegotiation and for new permits.

Since the end of the reporting period, the NSW Government has endorsed the IPART's 2013 review and Forestry Corporation is amending its pricing structure in line with the determination.

Forward outlook

	FY16 budget	
	Measure	Target
Revenue	$m	331.0
EBITDA[1]	$m	55.5
EBITDA on sales	%	16.8
EBIT	$m	47.3
Operating profit before tax	$m	40.0
NPAT[2]	$m	28.0
Dividend payout ratio	%	70
Return on assets	%	2.4
Return on equity	%	4.0

[1] *Earnings before interest, taxes, depreciation and amortisation.*

[2] *Net profit after tax.*

Financial Statements

for the year ended 30 June 2015

Forestry Corporation of New South Wales

ABN 43 141 857 613

Financial Statements for the year ended 30 June 2015

Statement of profit and loss and other comprehensive income

For the year ended 30 June 2015

	Notes	30 June 2015 '000	30 June 2014 '000
Revenue	4	301,133	309,119
Other income	5	15,947	14,967
Change in fair value of biological assets	15	75,779	74,118
Expenses			
Operating expenses	6	(191,956)	(205,012)
Employee benefits expense		(68,938)	(78,348)
Depreciation and amortisation expense		(8,215)	(8,892)
Impairment of assets		(321)	-
Finance costs	7	(7,388)	(8,890)
Profit before income tax expense		116,041	97,062
Income tax expense	8	(35,276)	(29,829)
Profit after income tax expense for the year attributable to the owners of Forestry Corporation of New South Wales		80,765	67,233
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain on defined benefit plans, net of tax		291	2,006
Changes to revaluation surplus, net of tax		(375)	(326)
Other comprehensive income/(loss) for the year, net of tax		(84)	1,680
Total comprehensive income for the year attributable to the owners of Forestry Corporation of New South Wales		80,681	68,913

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

Statement of financial position

For the year ended 30 June 2015

	Notes	30 June 2015 '000	30 June 2014 '000
Assets			
Current assets			
Cash and cash equivalents	9	25,430	21,696
Trade and other receivables	11	46,578	43,920
Inventories	12	3,095	3,311
Biological assets	13	66,145	65,383
Total current assets		141,248	134,310
Non-current assets			
Property, plant and equipment	14	1,111,206	1,118,985
Biological assets	15	791,999	716,982
Investment assets	16	8,540	7,974
Intangibles	17	-	100
Total non-current assets		1,911,745	1,844,041
Total assets		2,052,993	1,978,351
Liabilities			
Current liabilities			
Trade and other payables	18	42,746	45,802
Dividend provided	19	19,190	9,665
Provisions	20	28,566	31,735
Income tax		8,552	5,146
Total current liabilities		99,054	92,348
Non-current liabilities			
Borrowings	21	88,746	108,221
Provisions	22	5,960	5,553
Retirement benefit obligations	33	109,705	105,914
Deferred tax	23	512,883	491,732
Total non-current liabilities		717,294	711,420
Total liabilities		816,348	803,768
Net assets		1,236,645	1,174,583
Equity			
Contributed equity	24	421,706	421,706
Reserves	25	736,407	738,258
Retained profits		78,532	14,619
Total equity		1,236,645	1,174,583

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 2015

	Contributed equity $'000	Reserve for deferred tax asset $'000	Asset revaluation reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2013	421,706	50,092	691,418	(47,636)	1,115,580
Profit after income tax expense for the year	-	-	-	67,233	67,233
Other comprehensive income/(loss) for the year, net of tax	-	-	(326)	2,006	1,680
Total comprehensive income/(loss) for the year	-	-	(326)	69,239	68,913
Transactions with owners in their capacity as owners:					
Transfer of asset revaluation reserves to retained profits	-	-	(3,923)	3,923	-
Reversal of deferred tax liability on disposal of assets	-	-	1,254	-	1,254
Land revocation	-	-	(257)	(137)	(394)
Funding for public access roads	-	-	-	(1,105)	(1,105)
Dividends	-	-	-	(9,665)	(9,665)
Balance at 30 June 2014	421,706	50,092	688,166	14,619	1,174,583

	Contributed equity $'000	Reserve for deferred tax asset $'000	Asset revaluation reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2014	421,706	50,092	688,166	14,619	1,174,583
Profit after income tax expense for the year	-	-	-	80,765	80,765
Other comprehensive income/(loss) for the year, net of tax	-	-	(375)	291	(84)
Total comprehensive income/(loss) for the year	-	-	(375)	81,056	80,681
Transactions with owners in their capacity as owners:					
Transfer of asset revaluation reserves to retained profits	-	-	(2,108)	2,108	-
Reversal of deferred tax liability on disposal of assets	-	-	632	-	632
Land revocation	-	-	-	(61)	(61)
Dividends	-	-	-	(19,190)	(19,190)
Balance at 30 June 2015	421,706	50,092	686,315	78,532	1,236,645

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 2015

	Notes	30 June 2015 '000	30 June 2014 '000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		343,129	356,425
Payments to suppliers and employees (inclusive of GST)		(291,637)	(314,643)
Interest received		758	1,085
Interest and other finance costs paid		(7,840)	(9,990)
Income taxes paid		(10,049)	(2,075)
Net cash from operating activities	10	34,361	30,802
Cash flows from investing activities			
Payments for property, plant and equipment	14	(2,438)	(2,335)
Proceeds from disposal of property, plant and equipment		952	5,662
Net cash from/(used in) investing activities		(1,486)	3,327
Cash flows from financing activities			
Dividends paid		(9,665)	(9,119)
Repayment of borrowings		(19,476)	(23,595)
Net cash used in financing activities		(29,141)	(32,714)
Net increase in cash and cash equivalents		3,734	1,415
Cash and cash equivalents at the beginning of the financial year		21,696	20,281
Cash and cash equivalents at the end of the financial year	9	25,430	21,696

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

Notes to financial statements

Note 1. General information

The financial statements cover Forestry Corporation of New South Wales as an individual entity. The financial statements are presented in Australian dollars, which is Forestry Corporation of New South Wales' functional and presentation currency.

Forestry Corporation of New South Wales ('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 Hills, NSW, 2125.

The Corporation's principal activities involve 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 1 September 2015.

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.

New, revised or amending Accounting Standards and Interpretations adopted

The Corporation has adopted new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and mandated by the NSW Treasury Circular TC 15/03. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Corporation for the financial year ended 30 June 2015.

These Accounting Standards and Interpretations are as follows:

- AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
- AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting
- AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities
- AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)

Comparative amounts

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.

Basis of preparation

This general purpose financial report has been prepared in accordance with the *State Owned Corporations Act 1989,* Australian Accounting Standards (which include Australian Accounting Interpretations), NSW Treasury Circulars, and the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2010.*

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, investment properties, onerous contract provision 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 3.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of timber and related activities

Revenue from the sale of timber and related activities is recognised (net of returns, discounts and allowances) when the significant risks and rewards of ownership transfer to the buyer.

Forest management services

Revenue from forest management services is typically received in advance, with the amount received representing the net present value and as agreed within individual contractual arrangements. Revenue from forest management services is then recognised over the period of the contractual term unless it is refunded.

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 revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Grants

Government grants are recognised as income over the periods necessary to match them with related costs which they are intended to compensate, on a systematic basis.

Income tax

The Corporation operates in accordance with the National Tax Equivalent Regime (NTER), under which equivalent taxes are payable to the NSW Government.

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 for each jurisdiction, 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 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-term, highly liquid investments with original maturities of three months or less 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.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables.

Other receivables are recognised at amortised cost, less any provision for impairment.

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.

Notes to financial statements *cont.*

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 to and from 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.

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 comprehensive valuation of Property, Plant and Equipment is carried out in accordance with TPP14-01, and the next comprehensive valuation will be carried out in the financial year 2016.

Revaluation increments for each class of asset are credited to 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:

Item of property, plant and equipment	Expected useful life
Buildings	10 to 50 years
Plant and equipment	3-50 years
Roads and bridges - earthwork	50 years
Roads and bridges - paving	15-30 years

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.

Intangible assets

Software

Software that is acquired or developed by the Corporation which has a finite useful life is measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use. The estimated useful life for Software for the current and comparative years is 5 years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Biological assets

Biological assets are measured at their fair value less estimated point of sale costs in accordance with AASB 13 Fair Value Measurement and AASB 141 Agriculture, using a net present value (NPV) technique under the income approach to discount the future cash flows, as there is no active and liquid market for the Corporation's forest assets. The fair value of the biological assets has been determined by appropriately qualified staff employed by the Corporation using advanced modelling techniques/methods.

The Corporation's biological assets consist of plantation timber (softwood and hardwood) and native forest timber. Native Forests are a separate cash-generating unit ("CGU"), however as the net cash flows from the CGU are negative, related assets apart from land are 100% impaired.

Plantation Timber

The Corporation manages approximately 240,000 (2014 – 234,000) hectares of softwood plantations and 30,000 (2014 – 34,000) hectares of hardwood plantations.

Native Forest Timber

The Corporation manages approximately 1.8 million (2014 – 1.8 million) hectares of native forests.

Valuation of Biological Assets

NPV is calculated as the net of the future cash inflows and outflows associated with forest production activities discounted back to current values at the appropriate discount rate.

Assumptions underpinning the NPV calculation are:

- Forest valuations are based on the expected volumes of merchantable timber that will be realised from existing stands, given current management strategies and timber recovery rates;
- Only the current crop (standing timber) is valued. The cash flow analysis is based on the anticipated timing of the harvest of existing stands, which has been developed in the context of sustained yield management;
- Volume increments/decrements are determined both by periodic re-measurement of forest samples and by modelling growth from the date of the most recent measurement to date of harvest;
- Prices used in the NPV calculation are based on the CPI adjusted average prices achieved over the previous year, current year, and next year's budget. The use of prior year averages reduces the impact of significant annual pricing variations;
- Ancillary income earned from activities such as the leasing of land for grazing and other occupancy rights is added to the net harvest revenues;
- Costs used in the NPV calculation are based on the CPI adjusted average costs of the previous year, current year's, and next year's budget. These costs are unadjusted for any increases in operational efficiency which might occur in the future;

The discount rate applied in the calculation is 8.00% (2014: 8.50%) real, pre-tax, and reflects the specific risk profile of the Corporation. The risk is derived using the weighted average cost of capital (WACC) and benchmarked against industry data.

The net increment or decrement of the movement in value of the plantation estate has been recognised in the statement of profit or loss.

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.

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.

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.

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.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

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 they are 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
- amortisation of discounts or premiums relating to borrowings and
- government guarantee fees

Notes to financial statements *cont.*

Provisions

Provisions are recognised when the company 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, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of 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

The liability for long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of 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 national government bonds 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 in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; 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 national government 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 to sell 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 are 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.

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

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars unless otherwise stated.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been applied in preparing these financial statements. The Corporation does not plan to adopt these standards early and the extent of their impact is not known or reasonably estimable.

List of new standards and interpretations are as follows:

- AASB 9 Financial Instruments and its consequential amendments
- AASB 15 Revenue from Contracts with Customers.

Note 3. Critical accounting judgements, 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 other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates 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.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

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; and 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.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs. The fair values are sensitive to various assumptions (refer to note 27).

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

Notes to financial statements *cont.*

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 are recognised and measured at the present value of the estimated future cash flows to be made in respect of 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 deferred 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 33).

Note 4. Revenue

	30 June 2015 '000	30 June 2014 '000
Sales revenue		
Forests sales revenue	287,236	292,832
Other revenue		
Other services rendered	8,739	10,402
Interest	758	1,085
Rent income from investment properties	229	208
Other rental	4,171	4,592
	13,897	16,287
Revenue	301,133	309,119

Note 5. Other income

	30 June 2015 $'000	30 June 2014 $'000
Grants revenue - community service obligations	15,589	14,177
Grants revenue - other state government grants	22	437
Net gain on disposal of non-current assets	336	338
Reversal of impairment loss	-	15
Other income	15,947	14,967

Community Service Obligations (CSO)

The Corporation incurred $15.6 million (2014: $14.18 million) costs for services 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 6.

Note 6. Operating expenses

	30 June 2015 $'000	30 June 2014 $'000
Contract harvest and haulage	124,754	130,869
External contractor costs	33,773	29,344
Other operating expenses	8,258	18,555
Materials	17,008	17,727
Occupancy costs	2,213	2,268
Forest management and licence costs	619	1,163
Travel and accommodation	1,742	1,581
Communication and computer costs	2,321	2,045
Insurance and state taxes	1,268	1,460
Total	191,956	205,012

In 2014, other operating expenses included a payment of $8.55 million to ensure sustainable supply of timber from North Coast forests.

Note 7. Expenses

	30 June 2015 $'000	30 June 2014 $'000
Profit before income tax includes the following specific expenses:		
Finance costs		
Government guarantee fee	1,560	1,652
Interest expenses	5,828	7,238
Finance costs expensed	7,388	8,890
Superannuation expense		
Defined contribution superannuation expense	3,461	3,400
Defined benefit superannuation expense	1,705	2,238
Total superannuation expense	5,166	5,638

Refer to note 33 for Defined benefit superannuation expense.

Notes to financial statements *cont.*

Note 8. Income tax expense

	30 June 2015 $'000	30 June 2014 $'000
Income tax expense		
Current tax	13,003	7,220
Deferred tax - origination and reversal of temporary differences	21,819	22,216
Adjustment recognised for prior periods	454	393
Aggregate income tax expense	35,276	29,829
Deferred tax included in income tax expense comprises:		
Increase in deferred tax liabilities (note 23)	21,819	22,216
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	116,041	97,062
Tax at the statutory tax rate of 30%	34,812	29,119
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-taxable expenses	24	436
Sundry items	(14)	(119)
Sub-total	34,822	29,436
Adjustment recognised for prior periods	454	393
Income tax expense	35,276	29,829

	30 June 2015 $'000	30 June 2014 $'000
Amounts charged/(credited) directly to equity		
Deferred tax liabilities (note 23)	(36)	720

Note 9. Current assets – cash and cash equivalents

	30 June 2015 $'000	30 June 2014 $'000
Cash on hand	19	21
Cash at bank	10,747	10,992
NSW Treasury Corporation Hour Glass Cash Facility	14,664	10,683
Total	25,430	21,696

The NSW Treasury Corporation Hour Glass cash facility has been subject to floating interest rates between 2.73% and 3.11% (2014: 2.92% and 3.24%)

Note 10. Reconciliation of profit after income tax to net cash from operating activities

	30 June 2015 $'000	30 June 2014 $'000
Profit after income tax expense for the year	80,765	67,233
Adjustments for:		
Depreciation and amortisation	8,215	8,892
Net gain on disposal of property, plant and equipment	(336)	(339)
Net fair value gain on biological assets	(75,779)	(74,118)
Other non-cash items	740	3,759
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(2,658)	2,825
Decrease in inventories	216	318
Decrease in trade and other payables	(3,056)	(3,336)
Increase/(decrease) in provision for income tax	3,406	(2,075)
Increase in deferred tax liabilities	21,819	29,829
Increase/(decrease) in other provisions	1,029	(2,186)
Net cash from operating activities	34,361	30,802

Notes to financial statements *cont.*

Note 11. Current assets – trade and other receivables

	30 June 2015 $'000	30 June 2014 $'000
Trade receivables	40,688	39,281
Less: Provision for impairment of receivables	(51)	(97)
	40,637	39,184
Other debtors	2,689	2,603
Prepayments	3,252	2,133
Total	46,578	43,920

Impairment of receivables

The ageing of the impaired receivables provided for above are as follows:

	30 June 2015 $'000	30 June 2014 $'000
Over 6 months overdue	51	97

Movements in the provision for impairment of receivables are as follows:

	30 June 2015 $'000	30 June 2014 $'000
Opening balance	97	1,999
Additional provisions recognised	-	97
Receivables written off during the year as uncollectable	-	(1,952)
Unused amounts reversed	(46)	(47)
Closing balance	51	97

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to $10,660,000 as at 30 June 2015 ($11,923,000 as at 30 June 2014).

The Corporation did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	30 June 2015 $'000	30 June 2014 $'000
31 to 60 days	9,464	9,909
61 to 90 days	482	927
Over 91	714	1,087
Total	10,660	11,923

Note 12. Current assets – inventories

	30 June 2015 $'000	30 June 2014 $'000
Work in progress and finished goods	3,095	3,311

Note 13. Current assets – biological assets

	30 June 2015 $'000	30 June 2014 $'000
Biological assets at fair value	66,145	65,383

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 15 for reconciliations of biological assets between beginning and end of the reporting year.

Refer to note 27 for further information on fair value measurement.

Note 14. Non-current assets – property, plant and equipment

	30 June 2015 $'000	30 June 2014 $'000
Crown land	1,029,284	1,029,604
Buildings	28,707	29,953
Less: Accumulated depreciation	(16,317)	(15,303)
	12,390	14,650
Plant and equipment	22,958	22,848
Less: Accumulated depreciation	(13,773)	(11,980)
	9,185	10,868
Roads and bridges	109,937	109,939
Less: Accumulated depreciation	(49,642)	(46,095)
	60,295	63,844
Property work in progress - at cost	52	19
Total	1,111,206	1,118,985

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Crown land $'000	Buildings $'000	Plant and equipment $'000	Roads and bridges $'000	Capital work in progress $'000	Total $'000
Balance at 1 July 2013	1,034,424	17,138	13,676	67,391	189	1,132,818
Additions	-	-	1,892	-	443	2,335
Disposals	(3,378)	(1,357)	(589)	-	-	(5,324)
Revaluation decrements	(104)	-	-	-	-	(104)
Transfer from work in progress	-	465	148	-	(613)	-
Impairment of assets	-	(451)	-	-	-	(451)
Asset revocation	(288)	-	-	-	-	(288)
Transfers in/(out) investment property	(1,050)	(278)	-	-	-	(1,328)
Depreciation expense	-	(867)	(4,259)	(3,547)	-	(8,673)
Balance at 30 June 2014	1,029,604	14,650	10,868	63,844	19	1,118,985
Additions	-	-	2,239	-	199	2,438
Disposals	(40)	(14)	(168)	-	-	(222)
Reversal of revaluation loss	-	49	-	-	-	49
Revaluation decrements	(41)	-	-	-	-	(41)
Transfer from work in progress	-	109	57	-	(166)	-
Impairment of assets	-	(866)	-	-	-	(866)
Assets revocation	(239)	-	-	-	-	(239)
Transfers in/(out) investment property	-	(783)	-	-	-	(783)
Depreciation expense	-	(755)	(3,811)	(3,549)	-	(8,115)
Balance at 30 June 2015	1,029,284	12,390	9,185	60,295	52	1,111,206

Included within Crown land is freehold land amounting to $4,835,000 (2014: 1,899,000).

Refer to note 27 for further information on fair value measurement.

Notes to financial statements *cont.*

Note 15. Non-current assets – biological assets

	30 June 2015 $'000	30 June 2014 $'000
Biological assets at fair value	791,999	716,982

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

	Biological assets $'000
Balance at 1 July 2013	708,247
Harvested timber	(29,014)
Change in fair value less estimated point of sale costs - due to change in discount rate	1,450
Change in fair value less estimated point of sale costs - due to changes in volumes, prices and markets	101,682
Balance at 30 June 2014	782,365
Harvested timber	(28,159)
Change in fair value less estimated point of sale costs - due to change in discount rate	39,009
Change in fair value less estimated point of sale costs - due to changes in volumes, prices and markets	64,929
Balance at 30 June 2015	858,144

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 27 for further information on fair value measurement and reconciliations of biological assets.

Note 16. Non-current assets – investment asset

	30 June 2015 $'000	30 June 2014 $'000
Investment assets	8,540	7,974
Reconciliation		
Reconciliation of the fair values at the beginning and end of the current financial year are set out below:		
Opening fair value	7,974	6,646
Transfer from/(to) property, plant and equipment	783	1,328
Disposals	(217)	-
Closing fair value	8,540	7,974

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. The investment properties are revalued based on yearly indexation factors provided by Land and Property Information agency ('LPI').

Refer to note 27 for further information on fair value measurement.

Lessor commitments

	30 June 2015 $'000	30 June 2014 $'000
Minimum lease commitments receivable but not recognised in the financial statements:		
Within one year	773	755
One to five years	1,281	1,197
More than 5 years	1,314	1,314
Total	3,368	3,266

Note 17. Non-current assets – intangibles

	30 June 2015 $'000	30 June 2014 $'000
Software - at cost	1,093	1,093
Less: Accumulated amortisation	(1,093)	(993)
Total	-	100

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Software '000
Balance at 1 July 2013	319
Amortisation expense	(219)
Balance at 30 June 2014	100
Amortisation expense	(100)
Balance at 30 June 2015	-

Note 18. Current liabilities - trade and other payables

	30 June 2015 $'000	30 June 2014 $'000
Trade creditors	26,217	27,808
Revenue received in advance	16,529	17,994
Total	42,746	45,802

Refer to note 26 for further information on financial instruments.

Note 19. Current liabilities - Dividend provided

	30 June 2015 $'000	30 June 2014 $'000
Dividend provided	19,190	9,665

Notes to financial statements *cont.*

Note 20. Current liabilities - provisions

	30 June 2015 $'000	30 June 2014 $'000
Employee benefits	27,956	31,195
Workers compensation	610	540
Total	28,566	31,735

Employee benefits

The provision for employee benefits relates to the Corporation's liability for annual leave, long service leave and other employee benefits

Workers compensation

The provision represents the estimated costs in relation to 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:

	Workers compensation $'000
30 June 2015	
Carrying amount at the start of the year	540
Additional provisions recognised	70
Carrying amount at the end of the year	610

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 also 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, the Corporation does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. Employee benefits obligation expected to be settled within the next 12 month is $4,423,000 (2014: $3,755,000).

Note 21. Non-current liabilities - borrowings

	30 June 2015 $'000	30 June 2014 $'000
NSW Treasury Corporation loans	88,746	108,221

Refer to note 26 for further information on financial instruments.

Note 22. Non-current liabilities - provisions

	30 June 2015 $'000	30 June 2014 $'000
Employee benefits	790	650
Onerous contracts	3,420	2,913
Workers compensation	1,750	1,990
Total	5,960	5,553

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:

	Onerous contracts $'000	Workers compensation $'000
30 June 2015		
Carrying amount at the start of the year	2,913	1,990
Additional provisions recognised	507	-
Amounts used	-	(240)
Carrying amount at the end of the year	3,420	1,750

Note 23. Non-current liabilities – deferred tax

	30 June 2015 $'000	30 June 2014 $'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Biological assets	257,443	234,710
Provisions	(42,359)	(41,292)
Revenue in advance	(4,959)	(5,399)
Others	299	310
	210,424	188,329
Amounts recognised in equity:		
Revaluation of property, plant and equipment	302,459	303,403
Deferred tax liability	512,883	491,732
Movements:		
Opening balance	491,732	470,050
Credited to profit or loss (note 8)	21,819	22,216
Credited/(charged) to equity (note 8)	(36)	720
Recognised directly in equity	(632)	(1,254)
Closing balance	512,883	491,732

Notes to financial statements *cont.*

Note 24. Equity - Contributed equity

	30 June 2015 $'000	30 June 2014 $'000
Ordinary shares - fully paid (2 shares)	-	-
Capital contribution	421,706	421,706
Total	421,706	421,706

Ordinary shares

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

- The Minister for Finance and Services; 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.

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. Senior management monitors the return on capital as well as the level of debt and dividends payable to NSW Treasury.

Note 25. Equity - reserves

	30 June 2015 $'000	30 June 2014 $'000
Asset revaluation reserve	686,315	688,166
Reserve for deferred tax assets	50,092	50,092
Total	736,407	738,258

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 26. 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 by senior management 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 Hour Glass Investment facilities. 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. 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 or as available for sale. 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 Hour Glass Investment Cash Facility trust. This trust only invests in Cash and money market instruments that have an investment horizon up to 3 years (2014: 1.5 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 Hour Glass facilities 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. Hour Glass Investment facilities 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. Hour Glass cash facility has been subject to floating interest rates between 2.73% and 3.11% (2014: 2.92% and 3.24%). An official increase/decrease in interest rate of 1% (2014: 1%) would have an adverse/favourable effect on profit after tax of $616,000 (2014: $753,000).

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.

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 Standard and Poor'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 doubtful debts.

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 in respect 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 in respect of losses that have been incurred but not yet identified. The collective loss allowance is based on historical data of payment statistics.

A substantial majority of our trade receivables are derived from sales to timber sawmills. Our 40 largest customers accounted for 80% of forests sales revenue for 2015 (2014: 80%). Additionally, these customers accounted for 77% of our accounts receivable as of June 30, 2015 (2014: 74%). The Corporation has various contractual measures as well as frequent credit control checks to ensure the credit risk exposure is managed.

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.

Notes to financial statements *cont.*

	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
30 June 2015						
Non-derivatives						
Non-interest bearing						
Trade creditors	1.50%	42,746	-	-	-	42,746
Interest-bearing - fixed rate						
NSW TCorp. loans	5.50%	5,010	18,434	62,070	23,940	109,454
Total non-derivatives		47,756	18,434	62,070	23,940	152,200

	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
30 June 2014						
Non-derivatives						
Non-interest bearing						
Trade creditors	1.50%	45,802	-	-	-	45,802
Interest-bearing - fixed rate						
NSW TCorp. loans	5.62%	6,092	6,092	85,261	39,949	137,394
Total non-derivatives		51,894	6,092	85,261	39,949	183,196

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 $99,328,000 (2014: $119,980,000) 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 2015		30 June 2014	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Liabilities				
Borrowings	88,746	99,328	108,221	119,980
Total	88,746	99,328	108,221	119,980

Note 27. 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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2015				
Assets				
Land (including Crown and Freehold land)	-	1,029,284	-	1,029,284
Building	-	-	12,390	12,390
Plant and equipment	-	-	9,185	9,185
Roads and bridges	-	-	60,295	60,295
Investment property	-	8,540	-	8,540
Biological assets	-	-	858,144	858,144
Total assets	-	1,037,824	940,014	1,977,838
Liabilities				
Onerous contracts provision	-	-	3,420	3,420
Total liabilities	-	-	3,420	3,420

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2014				
Assets				
Land (including Crown and Freehold land)	-	1,029,605	-	1,029,605
Building	-	-	14,650	14,650
Plant and equipment	-	-	10,868	10,868
Roads and bridges	-	-	63,844	63,844
Investment property	-	7,974	-	7,974
Biological assets	-	-	782,365	782,365
Total assets	-	1,037,579	871,727	1,909,306
Liabilities				
Onerous contracts provision	-	-	2,913	2,913
Total liabilities	-	-	2,913	2,913

In financial year 2015, $783,000 was transferred from level 3 to level 2 (refer to note 16).

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, a comprehensive valuation for non-current assets was conducted by Land and Property Information ('LPI') – a division of the Office of Finance and Services, covering land, roads, and non-forests installations. The valuation techniques, inputs and relationship of unobservable inputs in the fair value are provided below:

Land (includes Crown and Freehold Land) and Investment property (Level 2)

The Corporation obtained from LPI, market movement indices at each reporting period and applied on individual class of assets.

LPI indices have 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.

Buildings, Roads and bridges and Plant and equipment (Level 3)

The Corporation obtained from LPI, market movement indices for buildings, roads and bridges at each reporting period and applied on individual class of assets.

Plant and equipment, including heavy plant, vehicles and 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.

Notes to financial statements *cont.*

In financial year 2012, a comprehensive valuation was performed where LPI used depreciated replacement cost (DRC) for building, roads and bridges assets. LPI provided indices based on market movement in construction cost at each reporting period. The next comprehensive valuation will be carried out in the financial year 2016.

The fair value would increase (decrease) if current market indices for buildings, roads and bridges increase (decrease). The fair value of plant and equipment would increase (decrease) based on their current condition and future useful life.

Biological assets: Current standing timber (Level 3)

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 existing current crop only from one rotation length. The expected net cash flows are discounted using appropriate discount rate.

The key inputs used:

- Estimated three years average timber market prices per tonne or square metre.
- Estimated yield per hectare or estimated timber projections.
- Estimated three years average direct and indirect costs.
- Discount rate of 8.00%

The estimated fair value would increase (decrease) if:

- the estimated three years average timber market price was higher (lower).
- the estimated yield per hectare or estimated timber projections were higher (lower).
- the estimated three years average direct and indirect costs were lower (higher).
- the discount rate was lower (higher).

Onerous contracts provision (Level 3)

Discounted net future income/(expenses): Onerous contracts provision is the present value estimation of the net future income/(expenses) expected to be generated from existing contracts. The projections include the existing period of the contract for one rotation of the plantation. The expected net future income/(expenses) are discounted using appropriate discount rate.

The key inputs used:

- Estimated three years average direct and indirect costs.
- CPI adjusted opening balance of advance amount from the contract.
- CPI adjusted income rate mentioned in the contract.
- Discount rate of 8.00%

The estimated fair value would increase (decrease) if the discount rate is higher (lower). The estimated fair value would increase (decrease) if the estimated three years average direct and indirect cost were (higher) (lower).

Level 3 assets and liabilities

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

	Buildings $'000	Plant and equipment $'000	Roads and bridges $'000	Total $'000
Balance at 1 July 2013	17,138	13,676	67,391	98,205
Transfers out level 3	(278)	-	-	(278)
Losses recognised in other comprehensive income	(451)	-	-	(451)
Additions	465	2,040	-	2,505
Disposals	(1,357)	(589)	-	(1,946)
Depreciation	(867)	(4,259)	(3,547)	(8,673)
Balance at 30 June 2014	14,650	10,868	63,844	89,362
Transfers out of level 3	(783)	-	-	(783)
Additions	-	2,239	-	2,239
Disposals	(14)	(168)	-	(182)
Impairment of assets	(866)	-	-	(866)
Reversal of impairment loss	49	-	-	49
Depreciation	(755)	(3,811)	(3,549)	(8,115)
Transfer from work in progress	109	57	-	166
Balance at 30 June 2015	12,390	9,185	60,295	81,870

Movements in level 3 assets for Onerous contracts provision is provided in note 22.

Movements in level 3 assets for Biological assets is provided in note 15.

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range (weighted average)	Sensitivity ($000)
2015			
a. Biological assets	(i) Discount rate	9%	1% increase would decrease fair value by $74,862
		7%	1% decrease would increase fair value by $89,036
	(ii) Expected future sales values	+/- 5%	5% change would increase/decrease the fair value by $116,439
	(iii) Expected future costs	+/- 5%	5% change would increase/decrease the fair value by $75,532
	(iv) Expected future changes in volume	+/- 5%	5% change would increase/decrease the fair value by $60,620
b. Onerous contracts provision	(i) Discount rate	9%	1% increase would decrease fair value by $70
		7%	1% decrease would increase fair value by $45
	(ii) Expected 3 years direct/indirect costs	+/- 5%	5% change would increase/decrease the fair value by $479
2014			
a. Biological assets	(i) Discount rate	9.5%	1% increase would decrease fair value by $67,022
		7.5%	1% decrease would increase fair value by $79,085
	(ii) Expected future sales values	+/- 5%	5% change would increase/decrease the fair value by $108,153
	(iii) Expected future costs	+/- 5%	5% change would increase/decrease the fair value by $69,035
	(iv) Expected future changes in volume	+/- 5%	5% change would increase/decrease the fair value by $56,304
b. Onerous contracts provision	(i) Discount rate	9.5%	1% increase would decrease fair value by $129
		7.5%	1% decrease would increase fair value by $113
	(ii) Expected 3 years direct/indirect costs	+/- 5%	5% change would increase/decrease the fair value by $353

Notes to financial statements *cont.*

Note 28. 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 — Board Member (Non-Executive)
- Geoffrey Applebee — Board Member (Non-Executive)
- Sarah Kearney — Board Member (Non-Executive)
- Nick Roberts — 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:

- Anshul Chaudhary — Chief Financial Officer
- Dean Anderson — General Manager Hardwood Forests Division
- Ian Brown — General Manager Softwood Plantations Division
- Ross Dickson — Chief Forester and Company Secretary

Compensation

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

	30 June 2015 $	30 June 2014 $
Short-term employee benefits	1,970,076	1,888,475
Post-employment benefits	114,405	112,863
Long-term benefits	69,929	69,750
Total	2,154,410	2,071,088

Note 29. Remuneration of auditors

	30 June 2015 $	30 June 2014 $
The Audit Office of New South Wales		
Audit of the financial statements (excluding GST)	289,500	275,000

Note 30. Commitments

	30 June 2015 $'000	30 June 2014 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	492	169
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	868	1,682
One to five years	1,777	4,095
More than five years	9,349	19,241
Total	11,994	25,018

Note 31. Contingent Liabilities\Assets

At 30 June 2015, 629,928 hectares (2014, 754,971 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.

As at Statement of Financial Position date, the Corporation has no contingent assets.

Note 32. Events after the reporting period

No matter or circumstance has arisen since 30 June 2015 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 33. 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 2015 $	30 June 2014 $
Present value of the defined benefit obligation	322,651	313,509
Fair value of defined benefit plan assets	(212,946)	(207,597)
Net liability in the statement of financial position	109,705	105,914

The information disclosed in this note has been provided by Pillar Administration 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 Scheme 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 2012. The next actuarial investigation is due as at 30 June 2015 and the report is expected to be released by the end of 2015.

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.

Notes to financial statements *cont.*

Description of risks

There are a number of 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, requiring additional employer contributions.
- **Pension indexation risk** – The risk that pensions will increase at a rate greater than assumed, requiring additional employer contributions.
- **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	
	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000
Net Defined Benefit Liability/ (Asset) at start of year	12,614	10,253	27	(322)	93,272	94,859	105,914	104,791
Current service cost	1,297	1,306	389	389	476	593	2,161	2,287
Net Interest on the net defined benefit liability/(asset)	429	364	(4)	(19)	3,325	3,595	3,751	3,940
Actual return on Fund assets less Interest income	(4,641)	(3,956)	(528)	(716)	(11,047)	(11,028)	(16,217)	(15,700)
Actuarial (gains)/losses arising from changes in demographic assumptions	583	-	57	-	(21)	-	618	-
Actuarial (gains)/losses arising from changes in financial assumptions	3,278	3,090	262	613	17,941	7,326	21,482	11,029
Actuarial (gains)/losses arising from liability experience	(1,545)	2,919	(453)	426	(4,301)	(1,540)	(6,299)	1,805
Employer contributions	(1,172)	(1,361)	(266)	(344)	(268)	(533)	(1,705)	(2,238)
Net Defined Benefit Liability/ (Asset) at end of year	10,843	12,614	(516)	27	99,378	93,272	109,705	105,914

Reconciliation of the Fair Value of Fund Assets

Financial Year to 30 June	SASS		SANCS		SSS		Total	
	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000
Fair value of Fund assets at beginning of the year	61,563	60,332	8,307	8,897	137,725	131,253	207,595	200,482
Interest income	2,125	2,204	291	330	4,720	4,788	7,135	7,322
Actual return on Fund assets less Interest income	4,641	3,956	528	716	11,047	11,028	16,217	15,700
Employer contributions	1,172	1,361	266	344	268	533	1,705	2,238
Contributions by participants	666	739	0	-	294	353	960	1,092
Benefits paid	(9,962)	(8,776)	(1,961)	(1,976)	(11,782)	(10,935)	(23,704)	(21,686)
Taxes, premiums & expenses paid	1,799	1,747	105	(4)	1,135	706	3,039	2,449
Fair value of Fund assets at end of the year	62,003	61,563	7,536	8,307	143,407	137,725	212,946	207,595

Reconciliation of the Defined Benefit Obligation

Financial Year to 30 June	SASS		SANCS		SSS		Total	
	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000
Present value of defined benefit obligations at beginning of the year	74,177	70,585	8,335	8,575	230,997	226,112	313,509	305,272
Current service cost	1,297	1,306	388	389	476	593	2,161	2,287
Interest cost	2,554	2,568	287	312	8,045	8,382	10,886	11,261
Contributions by participants	666	739	0	-	294	353	960	1,092
Actuarial (gains)/losses arising from changes in demographic assumptions	583	-	57	-	(21)	-	618	-
Actuarial (gains)/losses arising from changes in financial assumptions	3,278	3,090	262	613	17,941	7,326	21,482	11,029
Actuarial (gains)/losses arising from liability experience	(1,545)	2,919	(453)	426	(4,301)	(1,540)	(6,299)	1,805
Benefits paid	(9,962)	(8,776)	(1,961)	(1,976)	(11,782)	(10,935)	(23,704)	(21,686)
Taxes, premiums & expenses paid	1,799	1,747	105	(4)	1,135	706	3,039	2,449
Present value of defined benefit obligations at end of the year	72,846	74,177	7,021	8,335	242,785	230,997	322,651	313,509

Reconciliation of the effect of the Asset Ceiling

Fair value of Fund assets

All Pooled Fund assets are invested by STC at arm's length through independent fund managers and 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 2015				As at 30 June 2014			
	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	2,641,516	95,603	2,545,913	-	2,452,755	1,572,615	880,140	-
Australian Fixed Interest	2,656,598	958	2,638,759	16,881	2,365,014	10,928	2,354,086	-
International Fixed Interest	1,003,849	(110)	1,003,959	-	880,529	-	880,529	-
Australian Equities	10,406,940	9,898,541	503,999	4,400	11,738,636	11,494,549	241,423	2,664
International Equities	13,111,481	9,963,287	2,585,150	563,044	10,953,329	8,172,677	2,780,531	121
Property	3,452,609	948,421	718,406	1,785,782	3,272,986	894,113	692,296	1,686,577
Alternatives	7,170,187	622,102	3,020,225	3,527,860	6,329,410	565,401	4,897,152	866,857
Total *	40,443,180	21,528,802	13,016,411	5,897,967	37,992,659	22,710,283	12,726,157	2,556,219

Fund assets

The percentage invested in each asset class at the balance sheet date:

As at 30 June	2015 %	2014 %
Short Term Securities	6.5%	6.5%
Australian Fixed Interest	6.6%	6.2%
International Fixed Interest	2.5%	2.3%
Australian Equities	25.7%	30.9%
International Equities	32.4%	28.8%
Property	8.6%	8.6%
Alternatives	17.7%	16.7%
Total	100.0%	100.0%

**Additional to the assets disclosed above, at 30 June 2015 Pooled Fund has provisions for receivables/(payables) estimated to be around $1.74 billion, giving an estimated assets totalling around $42.2 billion.*

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this levels 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.

Notes to financial statements *cont.*

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 include as at 30 June 2015 of $209.2 million in NSW government bonds. Of the direct properties owned by the Pooled Fund:

- GPNSW occupies part of a property owned by the Pooled Fund with a fair value of $159 million (30 June 2014: $153 million).
- NSW Ambulance occupies part of a property 50% owned by the Pooled Fund with a fair value of $204 million (30 June 2014: $205 million).

Significant Actuarial Assumptions at the Reporting Date

As at 30 June	2015	2014
Discount rate	3.03% pa	3.57% pa
Salary increase rate (excluding promotional increases)	2.50% 2015/2016 to 2018/2019; 3.50% 2019/2020; 3.00% pa 2021/2022 to 2024/2025; 3.50% pa thereafter	2.27% pa to 30 June 2015, then 2.5% pa to 30 June 2018, 3.0% pa from 1 July 2018 to 30 June 2023, and 3.5% pa thereafter
Rate of CPI increase	2.50% 2015/2016; 2.75% 2016/2017 & 2017/2018; 2.50% pa thereafter	2.5% pa
Pensioner mortality	The pensioner mortality assumptions are as per the 2012 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.	as per the 2012 Actuarial Investigation of the Pooled Fund

Sensitivity Analysis

The entity's total defined benefit obligation as at 30 June 2015 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 2015.

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	2015			2014		
	Base Case	Scenario A	Scenario B	Base Case	Scenario A	Scenario B
		-1.0% discount rate	+1.0% discount rate		-1.0% discount rate	+1.0% discount rate
Discount rate	3.03%	2.03%	4.03%	3.57%	2.57%	4.57%
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	322,651	366,899	286,265	313,509	356,185	278,410

As at 30 June	2015			2014		
	Base Case	Scenario C	Scenario D	Base Case	Scenario C	Scenario D
		+0.5% rate of CPI increase	-0.5% rate of CPI increase		+0.5% rate of CPI increase	-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	above rates plus 0.5% pa	above rates less 0.5% pa	2.5%	3.0%	2.0%
Salary inflation rate	as above	as above	as above	as above	as above	as above
Defined benefit obligation $'000	322,651	342,198	304,788	313,509	331,725	296,856

As at 30 June	2015			2014		
	Base Case	Scenario E	Scenario F	Base Case	Scenario E	Scenario F
		+0.5% salary increase rate	-0.5% salary increase rate		+0.5% salary increase rate	-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	above rates plus 0.5% pa	above rates less 0.5% pa	as above	as above plus 0.5% pa	as above less 0.5% pa
Defined benefit obligation $'000	322,651	324,298	321,070	313,509	315,791	311,327

As at 30 June	2015			2014		
	Base Case	Scenario G	Scenario H	Base Case	Scenario G	Scenario H
		+5% pensioner mortality rates	-5% pensioner mortality rates		+5% pensioner mortality rates	-5% pensioner mortality rates
Defined benefit obligation $'000	322,651	318,806	326,733	313,509	310,133	317,089

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 cash flows 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 and was last reviewed following completion of the triennial review as at 30 June 2012. Contribution rates are set after discussions between the employer, STC and NSW Treasury. The next triennial review as at 30 June 2015, the report is expected to be released by the end of 2015

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 2015 financial position of the Fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans":

Financial Year to 30 June	SASS		SANCS		SSS		Total	
	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000
Accrued benefits*	53,251	56,860	5,503	6,653	132,894	133,948	191,648	197,460
Net market value of Fund assets	(62,003)	(61,563)	(7,536)	(8,307)	(143,407)	(137,725)	(212,946)	(207,595)
Net (surplus)/deficit	(8,752)	(4,703)	(2,033)	(1,655)	(10,513)	(3,777)	(21,298)	(10,135)

** There is no allowance for a contribution tax provision within the Accrued Benefits figure for AAS 25. Allowance for contributions tax is made when setting the contribution rates.*

Contribution recommendations

Recommended contribution rates for the entity are:

	SASS		SANCS		SSS	
	2015	2014	2015	2014	2015	2014
multiple of member contributions	1.9	1.9	-	-	1.6	1.6
% member salary	-	-	2.5%	2.5%	-	-

Economic assumptions

The economic assumptions adopted for the 30 June 2012 actuarial investigation of the Pooled Fund are:

For the period 30 June	2015 %	2014 %
Expected rate of return on Fund assets backing current pension liabilities	8.3% pa	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa	7.3% pa
Expected salary increase rate	SASS, SANCS, SSS 2.7% pa (PSS 3.5% pa) to 30 June 2018, then 4.0% pa thereafter	SASS, SANCS, SSS 2.7% pa (PSS 3.5% pa) to 30 June 2018, then 4.0% pa thereafter
Expected rate of CPI increase	2.5% pa	2.5% pa

Notes to financial statements *cont.*

Expected contributions

Financial Year to 30 June	SASS		SANCS		SSS		Total	
	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000
Expected employer contributions for FY2015 and FY2014 respectively	1,265	1,404	321	368	471	565	2,057	2,336

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 12.2 years.

Profit and Loss Impact

For the year ended 30 June	SASS		SANCS		SSS		Total	
	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000
Current service cost	1,297	1,306	388	389	476	593	2,161	2,287
Net interest	429	364	(4)	(19)	3,325	3,595	3,751	3,940
Defined benefit cost	1,726	1,670	384	370	3,801	4,187	5,911	6,227

Other Comprehensive Income

For the year ended 30 June	SASS		SANCS		SSS		Total	
	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000
Actuarial (gains) losses on liabilities	2,316	6,008	(134)	1,039	13,619	5,786	15,801	12,834
Actual return on Fund assets less Interest income	(4,641)	(3,956)	(528)	(716)	(11,047)	(11,028)	(16,217)	(15,700)
Total remeasurement in Other Comprehensive Income	(2,326)	2,053	(662)	323	2,572	(5,242)	(416)	(2,866)

End of the Audited Financial Statements

Directors' Declaration

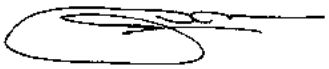
Pursuant to Section 41C (1B) and (1C) of the *Public Finance and Audit Act 1983*, the *Forestry Act 2012* and in accordance with a resolution of the Board of Directors, we declare on behalf of Forestry Corporation of New South Wales that in our opinion:

a. The accompanying financial statements and notes thereto exhibit a true and fair view of the financial position of the Corporation as at 30 June 2015 and of its financial performance, as represented by the results of its operations and its cash flows, for the year ended on that date.

b. The financial statements have been prepared in accordance with Australian Accounting Standards and interpretations, the *State Owned Corporations Act 1989*, the *Public Finance and Audit Act 1983* and the Public Finance and Audit Regulations 2010.

c. At the date of this statement, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

d. 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.



James M. Millar AM
Chairman
Dated this: 1 September 2015

Nick Roberts
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

Forestry Corporation of New South Wales

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Forestry Corporation of New South Wales (the Corporation), which comprise the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2015, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act), *Forestry Act 2012, State Owned Corporations Act 1989* and the Public Finance and Audit Regulation 2015.

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

Directors' Responsibility for the Financial Statements

The directors are responsible for preparing financial statements that give a true and fair view in accordance with Australian Accounting Standards, the PF&A Act and the *State Owned Corporations Act 1989* and for such internal control as the directors determine is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

My opinion does *not* provide assurance:

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

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.

C J Giumelli
Director, Financial Audit Services

4 September 2015
SYDNEY

Places of business

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Bathurst 2795

Phone: 6331 2044
Fax: 6331 5528

Riverina Highlands Building
76 Capper Street
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Tumut 2720

Phone: 6947 3911
Fax: 6947 2865

Hardwood Forests Division

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Wauchope

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Wauchope 2446

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Coffs Harbour

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Coffs Harbour 2450

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Batemans Bay

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Enquiries about visiting forests: 1300 655 687

AFS / 01-21-05

PEFC/21-23-05

Forestry Corporation continues to meet the environmental, social, economic and sustainability criteria of the Australian Forestry Standard (AS4708) and Environmental Management System (ISO 14001).

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