

Annual Report

**20
23**



**Sustainable
Timber
Tasmania**



Sustainable Timber Tasmania's Senior Conservation Planner, Marie Yee.

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Snapshot

Sustainable Timber Tasmania works on the land of the palawa/pakana people, the traditional and continuing custodians of lutruwita truwana (Tasmania). We acknowledge their deep history and culture, and pay respect to elders past and present.

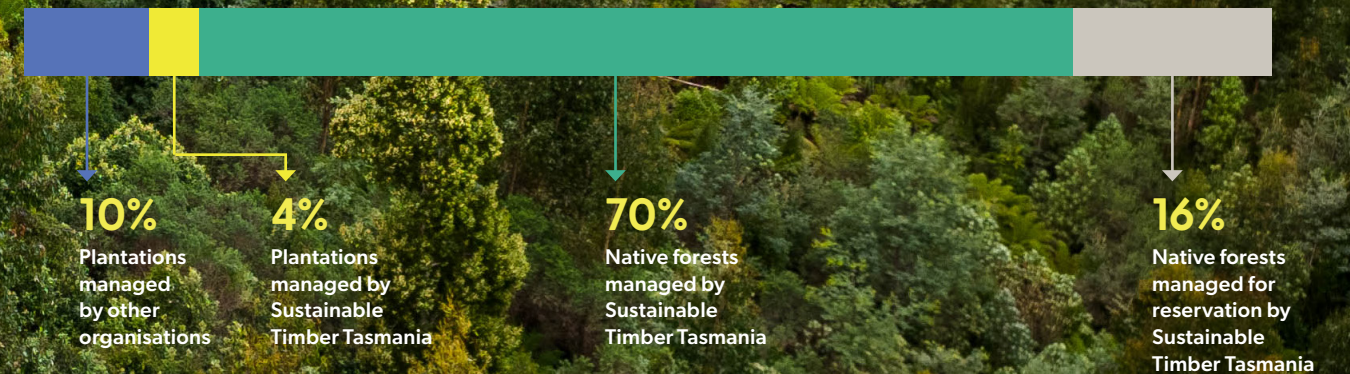
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We're keeping Tasmania's production forests healthy and thriving.

Sustainability is at the heart of everything we do at Sustainable Timber Tasmania – it's our long-term future.

We are a Tasmanian Government Business Enterprise responsible for sustainably managing approximately 812,000 hectares of public production forests (Permanent Timber Production Zone land); and undertaking forest operations for the production and sale of forest products from these forests.

This is a great responsibility, and one that we never take for granted.



What we do



Sustainably manage the forest estate



Sustainably supply timber



Sustainably grow our business

How we do it

Delivering effectively

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

Developing capability

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

Learning and innovating

We are embracing new ideas and realising opportunities to foster an innovative culture that supports the development of forestry in Tasmania.

Growing value

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

Listening and engaging

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

Our values

Respect

We create safe spaces

Responsibility

We take ownership

Growth

We create sustainable value

Excellence

We make it happen

Our core activities

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

Our corporate objectives

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



From our Chair and CEO

**Rob de Fégely ^{AM}
and Steve Whiteley**

We are pleased to present Sustainable Timber Tasmania's Annual Report for 2022/2023.

As Tasmania's public production forest manager, we sustainably manage Permanent Timber Production Zone land for conservation and protection and undertake forest operations to support the production and sale of forest products that supply our local timber industry.

From conservation to firefighting, our people care for these forests with passion and respect. With a strong focus on regeneration, Sustainable Timber Tasmania is managing Tasmania's production forests for the future.

We care for our people too, both employees and contractors, and together we strive to have everyone go home safe and well every day. This year we improved our safety record with no lost-time-injuries for employees in 28 months; and implemented SafetyCircle® with our haulage and roading contractors.

In 2022/2023, Sustainable Timber Tasmania's organisational achievements and highlights are a true reflection of the commitment and work our employees deliver every day. Their dedication and contribution to sustainable forest management, operations, commercial and corporate services is a testament to our strong workplace culture.

We have continued to promote Sustainable Timber Tasmania as an Employer of Choice for young people and the percentage of women in our statewide team has reached an all-time high of 33%.



This year, Sustainable Timber Tasmania generated a total comprehensive income of \$7.5 million, with a net profit after tax of \$4.1 million and positive operating cash flows of \$3.6 million.

Our contractors harvested and transported over 1.2 million tonnes of forest products, including 160,700 cubic metres of eucalypt sawlog and 8,381 cubic metres of special species timbers for our customers.

We continued to strongly support Tasmania's economy, with a value of \$120 million paid to Tasmanian goods and services providers.

We conducted harvesting on about one percent of our land. Of the 6,000 hectares of native forest harvested to generate forest products, 77% of operations were completed using partial harvest methods. We also actively regenerated more than 5,800 hectares of previously harvested forest by sowing about 186 million seeds. This annual cycle underpins our sustainable management of the forest estate.

We invest in providing public access to our forests each year and continue to maintain an extensive network of roads and bridges. Much of our focus is to provide access for timber production, but we also invest in maintaining access for multiple uses. This included rebuilding three bridges at Mersey Forest Road, which provides an important gateway to the Walls of Jerusalem National Park.

Our forest firefighters had a moderate summer season but have continued to actively contribute to the statewide Fuel Reduction Program. Some experienced firefighters also joined with Tasmania's deployment to assist in fighting wildfires in Canada.

This year, Sustainable Timber Tasmania commenced an important process to provide a more detailed understanding of the forest products that can be made available from our pruned and thinned hardwood plantation resource. This resource has been carefully grown on Permanent Timber Production Zone land for nearly 30 years and will become a key part of forest products available for existing and potential new customers for the next 25 years. It is intended that this resource can be made available progressively over the period to 2027 and beyond in long-term contracts that will provide resource security for on-island Tasmanian log processors.

The announcement by the Victorian Government to bring forward the closure of native forest harvesting has led to considerable uncertainty and concern from some of our timber processing customers whilst others are seeking to explore the commercial opportunities that may arise. We will continue to work with our timber processors to enable a vibrant future in timber value-adding in Tasmania.

“We continued to strongly support Tasmania's economy, with a value of \$120 million paid to Tasmanian goods and services providers.”

The actively managed forests on Permanent Timber Production Zone land make a significant contribution to the mitigation of climate change and are helping Tasmania work towards meeting Zero Net Emissions. We are collaborating widely to be part of a sustainable sector that focuses on biodiversity, wood production and climate mitigation concurrently.

We are pursuing ways to extend our engagement and connection with stakeholders and local communities. This means upholding our commitment to listening to and engaging with new ideas and feedback on our operations and processes.

The Board was renewed this year with Suzanne Baker ending her term and Jane Bennett being appointed. We thank Suzanne for her important contributions, particularly her guidance in finance and risk management.

Thank you to Sustainable Timber Tasmania's Board of Directors, stakeholders and the Tasmanian community for your continued support and engagement with our business. We look forward to working alongside you all next year.

Sustainable Timber Tasmania is proud to provide value to Tasmania and its regional communities as the manager of public production forests. Managing Tasmania's public production forest is a great responsibility and one that we never take for granted. We thank all the employees who work together as a strong statewide team to make this happen.

Providing value to Tasmanian regional communities

Sustainable Timber Tasmania brings value to our customers, production forests, local communities and future generations of Tasmanians. This year, Sustainable Timber Tasmania operated at a profit, and injected \$120 million directly into the state’s economy.

During the year, Sustainable Timber Tasmania:

Produced	Sold	Paid
1.2m	\$103m	\$120m
tonnes of forest products.	of forest products.	to Tasmanian goods and services providers.

Regeneration for the next generation

An important part of our responsibility is to make timber products available for our customers. During the year, we met customer demand for timber products by harvesting around **6,000** hectares of native forest, of which **77%** was partially harvested.

Importantly, Sustainable Timber Tasmania invests in native forest silviculture and ecology, and regenerates native forest harvested. In 2022/2023, more than **5,800** hectares of forest were prepared for regrowing and nearly **186** million seeds were sown onto harvested areas to regrow production forests for future generations.

Tasmania’s trusted forest firefighters

As one of Tasmania’s fire management organisations, Sustainable Timber Tasmania proudly works alongside the Tasmania Fire Service and Tasmania Parks and Wildlife Service through the Fuel Reduction Program and bushfire response. During the year, Sustainable Timber Tasmania attended **30** bushfires with over **2,453** hours of firefighting activities.

We provided **354** person days of assistance to **31** Tasmania Fuel Reduction Program operations completed by other organisations, and completed **11** fuel reduction burns on production forests to help people, property and the environment, lessening the risk of bushfires by reducing fuel loads.

Sustainable Timber Tasmania’s experience and capability was recognised internationally, with **eight** highly skilled forest firefighters being deployed to Canada to assist with wildfire response. These forest firefighters have since returned to Tasmania, with lived experience to share and apply to protecting Tasmanian forests and communities.

Zero harm for our people

All employees work within the SafetyCircle®, with the aim to go home safe and well every day. Our strong safety performance record for employees has grown with no lost-time-injuries for **28** months.

Our commitment to the safety culture of our contractor workforce remains, and we have implemented SafetyCircle® with our haulage and roading contractors.

Production forests for everyone

As a forest manager, Sustainable Timber Tasmania provides access to some of Tasmania’s most beautiful places. This year, more than **3,260** kilometres of our **10,000 +** kilometre road network was maintained and nearly **40** kilometres of new roads were constructed for multiple uses.

Certifying our forest management

We are pleased to maintain Responsible Wood forest management certification and health and safety certification. We continue to pursue Forest Stewardship Council (FSC®) certification and are working on adaptive management processes.

High quality timber for Tasmania

We see Tasmanian timber products every day, we use them every day, but don't always make the connection that these products are timber harvested from trees. Trees store carbon and are the ultimate renewable resource. Timber products are sourced from Tasmania's public production native and plantation forests.



Sustainable Timber Tasmania is one part of a much larger forestry supply chain in Tasmania. As Tasmania's public production forest manager, our contractors harvest the forest and transport timber products, and our customers process it at their sawmills across regional Tasmania. Processed products are then sold on to other customers.

Our responsibility in this supply chain is to manage the forests and make available a range of forest products including a quantity of high-quality eucalypt sawlog each year for construction and appearance grade timbers, and sliced veneer logs and other forest products.

As the forest manager, our team undertakes annual forest modelling work to produce a Three-Year Wood Production Plan which indicates to our customers, industry and the Tasmanian community what forest areas we can potentially harvest to make available a range of forest products.

What operations our harvesting contractors undertake depends on two factors: national and international timber markets and customer demand. The detailed operational planning our team on the ground undertakes can verify what trees could be harvested for these products.

This year, Sustainable Timber Tasmania contractors harvested over 1.2 million tonnes of forest products, including 160,700 cubic metres of eucalypt sawlog and 8,381 cubic metres of special species timbers.



Understanding our eucalypt hardwood plantations

Forest inventory assessments and modelling are undertaken by Sustainable Timber Tasmania. The outcome of this work includes data on Tasmania's public production forests which is useful in informing future management approaches and potential forest product availability.

Forest inventory is complex work and involves ground based assessments, data analysis, and biometrics.

This work allows our people and management teams to understand what types of forests are present across Permanent Timber Production Zone land, how fast those forests grow, what shape the trees in the forest could grow into, and what kinds of forest products could potentially be made available for our customers.

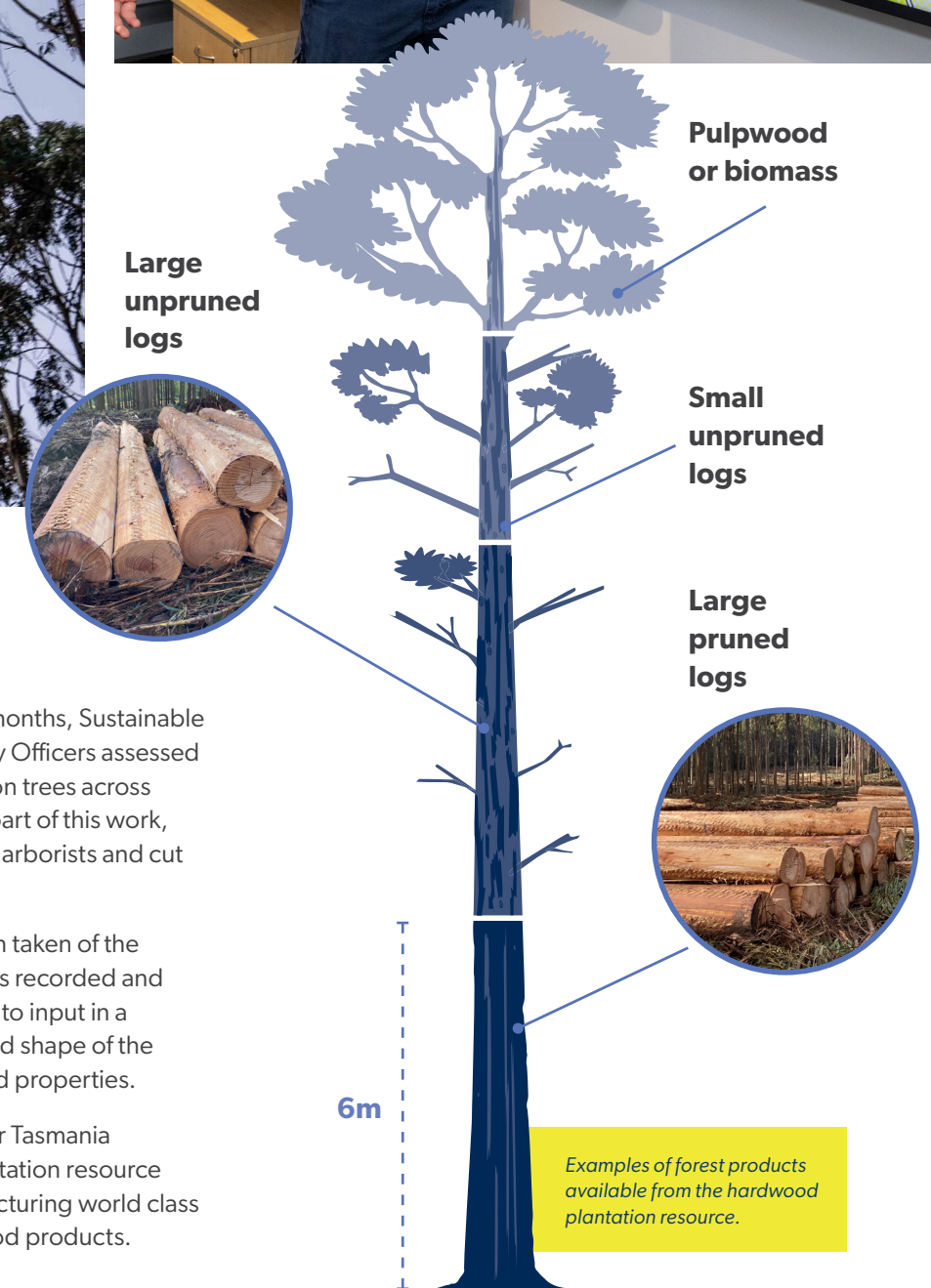
During the year, Sustainable Timber Tasmania undertook forest inventory work and subsequent modelling on its hardwood plantation resource. Between 25 to 30 years ago, foresters planted hardwood plantation trees across public production forests, mostly in north east Tasmania.

Careful thinning and pruning silviculture has been applied to these trees for over two decades, and now our team can determine what types of products they could make available.

This year, over the space of three months, Sustainable Timber Tasmania's Forest Inventory Officers assessed and measured hardwood plantation trees across 140 sample plots in Tasmania. As part of this work, trees were felled by qualified local arborists and cut into small sections every 200mm.

Diameter measurements were then taken of the small sections of tree. This data was recorded and sent to experienced biometricians to input in a model to determine the growth and shape of the trees, along with research on wood properties.

This work gives Sustainable Timber Tasmania confidence that its hardwood plantation resource has properties suitable for manufacturing world class sawn timbers and engineered wood products.



Living our values

At Sustainable Timber Tasmania, our organisational values (respect, responsibility, growth and excellence) are central to everything our people do each and every day. These values guide our employee behaviour, fostering a strong culture of working together to achieve our goals. We recognise and reward our employees' achievements and celebrate living our values through the 'Cheers from Peers' program.

Our values

Respect

Responsibility

Growth

Excellence



Respect

Adam Hyland

Adam Hyland worked diligently with representatives of the Tasmanian Aboriginal community to utilise resources for an upcoming project. The active engagement demonstrated by Adam displayed a commitment to creating practical and meaningful relationships within the local community, reinforcing Sustainable Timber Tasmania's focus on its diversity and inclusion goals.

“

Adam, you displayed respect, kindness and a 'can-do' attitude which is exactly the type of values and culture STT should be known for. It means a lot to have you actively engaging in such practical and meaningful relationships in the wider Tasmanian community. Thank you again.” — Linda Crawford, People and Culture Manager.



Excellence

Marie Yee

Sustainable Timber Tasmania is committed to protecting biodiversity in public production forests. Marie Yee worked proactively to tailor swift parrot surveys to the southern production program. Her commitment to this work earned her the respect of external agencies including the Forest Practices Authority (FPA), where she was congratulated for her effective communication and professionalism.

“

I would like to acknowledge the proactive work Marie has done in tailoring STT driven swift parrot surveys to the southern production program in and around the SPIBA this year. It demonstrates a level of rigor in STT's commitment to managing the habitat associated with this species while balancing wood product commitments. The level of communication and adaptive tailoring of the surveys have been greatly appreciated and professionally respected by STT and external agencies such as the FPA.” — Dave White, Forest Operations Manager (South).



Excellence

Abbey Bailey, Phil Bessell, Tracey Irvine, Grace Mahon and Nathan Petterwood

This dedicated team (pictured above, amongst others) offered their time and knowledge to represent Sustainable Timber Tasmania at the Derwent Region School Forestry Expo. They interacted with hundreds of interested students to discuss forest management practices and the opportunities provided by the industry. The future of the forest industry is important to Sustainable Timber Tasmania and the valuable work of our employees helps pave the way for the future generation of forest industry professionals.

“

I want to personally thank the crew that attended the Derwent Region School Forestry Expo. Not only did they give up their valuable time to attend, but they went above and beyond with their professional representation of STT at this event. Nobody knew what to expect on the day, it turned out to be a lot of talking and interacting with many, many, many students! Thank you for your enthusiasm, energy, knowledge and patience. No doubt we added value to this event, and hopefully 'planted some seeds' for the future when some of these students start to think about career pathways. Thank you!”

— Ben Dean, People and Culture Business Partner.



Our international firefighting deployment

Eight of Sustainable Timber Tasmania's skilled forest firefighters answered a deployment call to be part of Tasmania's Canadian wildfire response. Over a period of nine weeks, these firefighters worked tirelessly to support local firefighting efforts and help affected communities. Our firefighters provided expert bush firefighting knowledge and experience to a challenging and high-pressure fireground, going above and beyond to give the best possible support and assistance to those in need. Their learnings and experience will provide an insightful and valuable contribution to Tasmania's future bushfire response.



Sustainable Timber Tasmania firefighter Charrae Myers.

Throughout 2023, Canada experienced a devastating record-breaking wildfire season, with local communities, assets and landscape impacted on a mass scale, with a staggering 10 million hectares of forest being lost so far this year. Fortunately, Tasmania experienced a quiet bushfire season, which enabled local firefighters to assist with the Canadian wildfire response.

Sustainable Timber Tasmania Senior Forest Officer Fire, Craig Denney said, "Being part of the firefighting deployment to Canada was a truly unforgettable experience. Not only did I get to help protect communities and natural assets, but I also learned a lot about myself and my capabilities as a firefighter."

"Being part of such a high-pressure and intense situation really helped me develop my skills and confidence. I had to learn to quickly establish clear communications and structure in the management of an incident to ensure all efforts and objectives were aligned."

"It was an experience that challenged me, but it also encouraged me to grow and develop as a person. I look forward to using the skills and knowledge I gained during this deployment in the future."

Senior Forest Officer Fire, Nathan Petterwood also reflected on his time in Canada: "There are a multitude of memorable moments that I have brought back with me. However, the standout was most definitely the amount of gratitude and acts of thanks we received from not only the Canadian Incident Management Team members but from the public when we were travelling to and from our working location."

Sustainable Timber Tasmania is very proud that its team was able to make a difference in local communities, helping to protect homes, businesses, and natural resources from the devastating effects of the wildfires.



Sustainable Timber Tasmania firefighters, from top left: Andrew Cox, Craig Denney, Jye Hill, Sean Boucher, Brodie Frost and Nathan Petterwood. Not pictured: Trent Saunders.

"I gained valuable experience in wildland firefighting tactics and strategies, which will be an asset when working on inter-agency incidents in Tasmania."
- CRAIG DENNEY

WOODS LAKE, TASMANIA

Recreation and forests at Woods Lake

Everyone is welcome to visit and enjoy Tasmania's public production forests. Sustainable Timber Tasmania's broader management of Permanent Timber Production Zone land caters for multiple uses including but not limited to, apiary, bushwalking, hunting and fishing.

Woods Lake, Tasmania (photo credit: Inland Fisheries Service).



Sustainable Timber Tasmania's Planning Coordinator north east, Jarrod Burn and Inland Fisheries Service's Neil Morrow.

This year, Sustainable Timber Tasmania worked with Inland Fisheries Service (IFS) to support access improvements at Woods Lake, which provides positive recreational outcomes for the local community.

The project included improvements to the existing boat ramp car park, with expansion to cater for the number of anglers at peak periods. Upgrades were also completed to vehicle tracks and camping sites.

Woods Lake is one of Tasmania's premier trout fishing destinations and was selected as one of five venues for the World Fly Fishing Championship in 2019. The project allowed for repair of six vehicle tracks, levelling, drainage and graveling of 14 existing camp sites and rubbish removal.

The access works have been supported by the installation of two new signs in the main camping areas and an advisory sign to accompany the existing Inland Fisheries Service sign at the boat ramp.

Together, Sustainable Timber Tasmania and Inland Fisheries Service worked in partnership with local stakeholders, which further highlighted the value of a collaborative planning process. Information pertaining to the project was communicated to anglers through a dedicated flyer at the annual trout weekend coordinated by Inland Fisheries Service.

Neil Morrow from Inland Fisheries Services Tasmania said, "The information provided in the flyers was well received and appreciated by anglers. IFS and STT have collaborated on similar projects over many years, and I am sure there will be future projects of a similar nature. The Woods Lake project will deliver positive outcomes for both organisations."

The works were largely completed before the opening of the trout fishing season in early August.

Sustainable Timber Tasmania is proactively managing public production forests and the project at Woods Lake is just one example of our ongoing commitment to providing access for Tasmanians and their families.

Planned upgrades completed



Vehicle track improvements



Car park extension



Campsite improvements



Sustainable Timber Tasmania's Land Property Team facilitate access to public production forests.

Working with the apiary industry

Sustainable Timber Tasmania is an active supporter of the apiary industry in Tasmania and assists over 70 local beekeepers to access flowering leatherwood and other flora in public production forests.

Over
300

apiary sites exist across Tasmania's production forests, where leatherwood and other flora is made available to beekeepers for honey production.

Less than
4%

of Tasmania's total leatherwood resource (705,000 hectares) exists in harvestable areas of production forests.

280

leatherwood seedlings were planted at one forest coupe to complement the resource for local beekeepers.



Sustainable Timber Tasmania manages approximately 136,000 hectares of leatherwood resource on Permanent Timber Production Zone land.

Sustainable Timber Tasmania understands the importance of retaining commercial patches of leatherwood in areas where timber products could be harvested, and this is why operational planning teams work to implement Sustainable Timber Tasmania's *Planning Guidelines for Apiary Values*. These guidelines indicate how commercial quantities of leatherwood can be protected to keep the trees available for honey production.

Where planning identifies a necessity, leatherwood seedlings are planted in harvested areas to complement the area's resource.



Leatherwood seedlings at Sustainable Timber Tasmania's Perth nursery.



During the year, Sustainable Timber Tasmania undertook a leatherwood planting in Tasmania's north west, where 280 seedlings were planted. The future outcome of this planting will be an increase in leatherwood resource for several local beekeepers who have hive sites leased in this area.

Working together with Tasmania's leatherwood industry for mutually beneficial outcomes is an important part of Sustainable Timber Tasmania's role as land manager of production forests.

Our Board



Rob de Fégely ^{AM}
(Chair)
BSc (Forestry), MSC (Forest Business Management), FAICD

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

Rob has worked in the Australian forestry industry for over 40 years and is a Registered Professional Forester with a Bachelor of Science, Forestry [BSc (Forestry)] from the Australian National University and a Master of Science, Forest Business Management from Aberdeen University in the United Kingdom.

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

Rob is an independent Director of Sustainable Timber Tasmania.



Kathryn Westwood
BCom, GAICD, FIPA, ASA, MRMIA

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

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

Kathryn has a Bachelor of Commerce (BCom) from the University of Tasmania and is a Graduate of the Australian Institute of Company Directors (GAICD).

Kathryn is an independent Director of Sustainable Timber Tasmania.



Professor Rod Keenan
PhD, BSc (Forestry), GAICD

Professor Rod Keenan has extensive experience in ecosystem science, forest management and resilience.

Rod has a Bachelor of Science, Forestry [BSc (Forestry)], from the Australian National University and a PhD in forest ecology from the University of British Columbia, with research interests in forests and climate change, forest ecosystem services and forest and environmental policy.

Previously, Rod was Professor and Chair of Forest and Ecosystem Sciences at the University of Melbourne and Director of the Victorian Centre for Climate Change Adaption Research, a research partnership between Victorian universities, and Chair of the United Nations FAO Advisory Group for the Global Forest Resource Assessment.

Rod has worked as a research scientist and science adviser in several Australian states and with the Australian Government, and has undertaken research projects across Australia, Canada, Papua New Guinea and Southeast Asia.

Rod is an independent Director of Sustainable Timber Tasmania.



Therese Ryan
LLB, GAICD

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

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

Therese is currently the Chair of Gippsland Water, Chair of Hancock Victoria Plantations, and a non-executive Director of listed entity Korvest Ltd.

Therese serves on the Buxton Contemporary Museum Management Committee.

Therese has a Bachelor of Law (LLB) from the University of Melbourne and is a Graduate of the Australian Institute of Company Directors (GAICD).

Therese is an independent Director of Sustainable Timber Tasmania.



Kathy Schaefer
PSM, GAICD, MBA

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

Kathy is currently a non-executive Director of TasNetworks.

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

Kathy holds a Master of Business Administration (MBA), a Bachelor of Education (BEd), and is a Graduate of the Australian Institute of Company Directors (GAICD).

Kathy is an independent Director of Sustainable Timber Tasmania.



Jane Bennett
FAICD

Jane Bennett has extensive experience as a non-executive Director and in building and nurturing premium Tasmanian food brands including Ashgrove Cheese, Meander Valley Diary, Betta Milk and Pyengana Diary.

Jane has over 30 years’ experience working in agrifood businesses across Tasmania and the United Kingdom and was the Managing Director of Ashgrove Cheese and TasFoods Ltd.

Previously, Jane chaired the Tasmanian Food Industry Council for eight years and was a non-executive Director at the Australian Broadcasting Corporation, CSIRO, Tasmanian Ports, and the Australian Farm Institute. Currently, Jane chairs the Board of Hop Products Australia and Nuffield Australia and is a non-executive Director of Grain Growers Ltd.

Jane was named 2010 Tasmanian Telstra Business Woman of the Year, 1997 Australian ABC Rural Woman of the Year, and 1994 Tasmanian Rural Achiever of the year.

Jane is an independent Director of Sustainable Timber Tasmania.

Our Board



Suzanne Baker

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

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

Suzanne has extensive Board experience across a range of sectors including financial services (insurance), health administration, state and local Government, primary industries, waste management and arts industries.

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

Suzanne is an independent Director of Sustainable Timber Tasmania.

Board and committee composition and meeting attendance

As at 30 June 2023, the Board has four committees in operation:

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

Meeting attendance during the year:

	Board		FARMC		ESHC		RBNC		CSEC	
	E	A	E	A	E	A	E	A	E	A
Mr Rob de Fégely ^{AM}	11	10	–	5	4	4	7	7	4	4
Ms Suzanne Baker ¹	11	11	7	7	–	–	7	6	–	–
Professor Rod Keenan	11	9	–	1	4	4	7	6	4	4
Ms Kathryn Westwood	11	11	7	7	–	1	7	7	–	2
Ms Therese Ryan	11	10	–	1	4	4	7	6	–	2
Ms Kathy Schaefer	11	11	7	7	–	–	7	7	4	4
Ms Jane Bennett ²	1	1	–	–	–	–	–	–	–	–

E = eligible. A = attended

¹ Ms Suzanne Baker’s term as Director ended on 13 June 2023.
² Ms Jane Bennett’s term as Director commenced on 14 June 2023.

Sustainably supporting Tasmania's economy

This year, Sustainable Timber Tasmania is proud to present its sixth consecutive profit.

In the 2022/2023 financial year, Sustainable Timber Tasmania generated total comprehensive income of \$7.5 million, net profit after tax of \$4.1 million with positive operating cash flows of \$3.6 million.

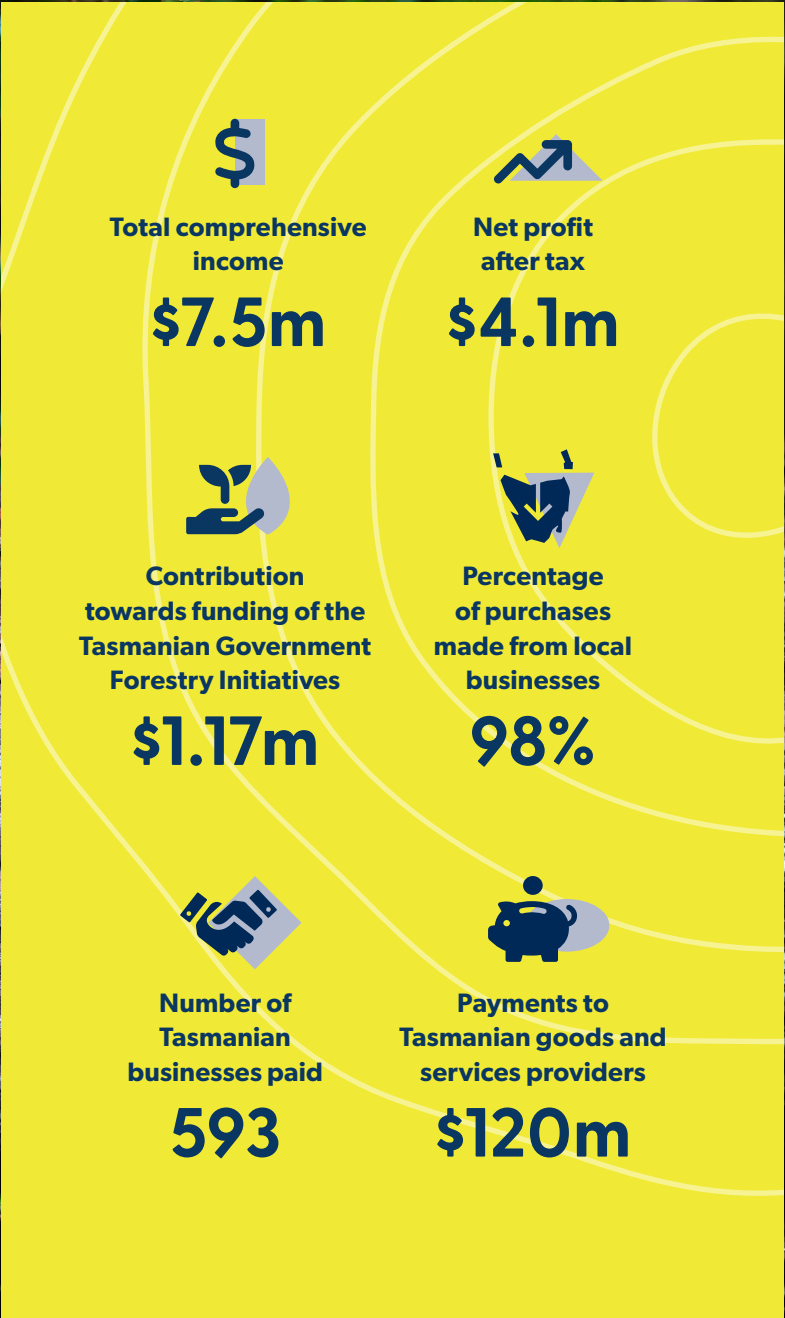
The financial year presented several challenges, including supply chain pressures, increasing operating costs, the permanent closure of the business of a major southern Tasmanian customer and a downturn in woodchip demand from China.

Sustainable Timber Tasmania's financial performance benefitted from improved financial income.

Sustainable Timber Tasmania made an underlying net loss of \$0.9 million, however made an annual payment of \$1.17 million to the Tasmanian Government as a contribution towards Forestry Initiatives.

During the year, Sustainable Timber Tasmania paid an ordinary dividend of \$1 million based on the 2021/2022 financial result.

Importantly, Sustainable Timber Tasmania continues to support Tasmania's economy, with 98% of purchases being sourced from Tasmanian goods and services providers for a value of \$120 million.



Corporate Governance

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

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

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

Principle 1: Lay solid foundations for management and oversight

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

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

Principle 2: Structure the Board to add value

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

The Chief Executive Officer is not a member of the Board, and the positions of Board Chair and Chief Executive Officer are held by different people.

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

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

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

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

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

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

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

Florentine Valley, southern Tasmania.

Forest harvesting operation in north west Tasmania.

Principle 4: Safeguard integrity of corporate reporting

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

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

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

Principle 5: Make timely and balanced disclosure

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

Principle 6: Respect the rights of security holders

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

Principle 7: Recognise and manage risk

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

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

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

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

Principle 8: Remunerate fairly and responsibly

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

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



North west Tasmania.

Statement of Corporate Intent

The Statement of Corporate Intent sets out the key financial and non-financial performance targets to be met by Sustainable Timber Tasmania in 2022/2023. The targets are agreed with Sustainable Timber Tasmania’s shareholders. The 2022/2023 results compared to targets are presented in the following table.

Financial and Non-Financial Performance Targets

Target	Target 2022/23	Result 2022/23	Comment
Underlying net profit ¹ (\$ million)	(\$2.1) ²	(\$0.9)	Met target
Net cash flow from operations (\$ million)	\$7.9	\$3.6	Target not met
High quality eucalypt sawlog ³ (cubic metres)	120,000	103,129	Met customer demand
Special species sawlog	8,400	8,381	Met target
Native forest regenerated ⁴ (hectares)	4,700	5,812	Met target
Plantations re-established (hectares)	445	278	Met required needs
Thinning of plantations for future sawlog production (hectares)	650	395	Met required needs
Forestry road construction to deliver customer commitments (kilometres)	up to 55	39.3	Met target
Forestry road maintenance to deliver customer requirements, plus non-commercial maintenance to provide continued public access (kilometres)	Up to 4,000	3,262	Met target
Contribution to state prevention, preparation and detection of bushfires (percentage of employees trained and available)	>=70%	77.5%	Met target
Lost time injury frequency rate – employees	<=4	0	Met target
Lost time injury frequency rate – contractors	<=10	2.7	Met target

1 Underlying net profit is defined as the operating revenue less the operating expenditure.
2 Refer to 'Investing for the Future' in the Statement of Corporate Intent on Sustainable Timber Tasmania’s website.
3 COVID-19 supply chain impacts during the financial year restricted demand from many customers.
4 Native forest regenerated is total site prepared for regeneration.

Statement of Compliance



1 October 2023

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

Statement of Compliance

Dear Minister,

In accordance with Section 55 of the *Government Business Enterprises Act 1995*, we hereby submit for your information and presentation to Parliament, the Annual Report of Sustainable Timber Tasmania for the year ended 30 June 2023.

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

Yours faithfully,

Rob de Fégely AM
Chair
Board of Sustainable Timber Tasmania

Steve Whiteley
Chief Executive Officer
Sustainable Timber Tasmania



Financial Statements

2022-2023

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
AS AT 30 JUNE 2023

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Directors' Report

The Directors' Report for Forestry Tasmania trading as Sustainable Timber Tasmania (the "Organisation") for the financial year ended 30 June 2023 has been prepared in accordance with the requirements of the *Government Business Enterprises Act 1995*.

The Directors' Report should be read in conjunction with the Organisation's audited financial statements for the year ended 30 June 2023.

Directors

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

Board members	Position	Start Term	End Term
Rob de Fégely	Chair	1 June 2016	N/A
Suzanne Baker	Director	15 December 2015	13 June 2023
Kathryn Westwood	Director	1 August 2018	N/A
Therese Ryan	Director	1 July 2019	N/A
Kathy Schaefer	Director	1 February 2020	N/A
Prof. Rod Keenan	Director	18 July 2022	N/A
Jane Bennett	Director	14 June 2023	N/A

Principal Activities

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

Basis of Presentation

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

The consolidated financial statements are compared to the consolidated financial statements for the prior 12-month period ended 30 June 2022. The comparative financial statements for the 12-month period ended 30 June 2022 have been restated due to prior period errors and reclassifications in accordance with Australian Accounting Standards.

Results

The Organisation recorded total comprehensive income of \$7,539,000 for the financial year ended 30 June 2023 as compared to the restated total comprehensive income of \$17,911,000 for the financial year ended 30 June 2022.

Going Concern Basis for the Preparation of the Annual Financial Statements

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

Director and Executive Remuneration

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

Dividends

The Organisation paid an Ordinary Dividend of \$1,000,000 under Section 84 of the *Government Business Enterprises Act 1995* on 9 December 2022.

The Board will advise the Treasurer and the Portfolio Minister of its recommendation for a dividend payable by the Organisation in respect of the 2022/2023 financial year within 60 days of the end of the financial year.

Events Subsequent to Balance Date

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

Indemnification and Insurance of Officers

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

Dated at Hobart, this 4th day of August 2023.

Signed in accordance with a resolution of Directors:

Rob de Fégely AM
Chair
4 August 2023

Kathryn Westwood
Director
4 August 2023



Auditor's Independence Declaration

FOR THE YEAR ENDED 30 JUNE 2023

3 August 2023

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

Auditor's Independence Declaration

Dear Board Members

In relation to my audit of the financial report of Forestry Tasmania, trading as Sustainable Timber Tasmania, for the financial year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Rod Whitehead
Auditor-General

Consolidated statement of Comprehensive Income

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 \$'000	2022 Restated* \$'000
Revenue			
Revenue	B1(a)	122,215	113,201
Gain on sale of assets	B1(i)	1,739	5,904
Finance income	B1(h)	1,092	388
Biological asset valuation increment	C1	8,029	12,507
Total revenue		133,075	132,000
Expenses			
Expense from operations	B1(b), (e), (f), (g)	(124,661)	(115,324)
Finance expense	B1(h)	(2,614)	(1,512)
Total expenses		(127,275)	(116,836)
Net profit/(loss) before tax		5,800	15,164
Income tax (expense)/benefit on net profit/(loss)		(1,743)	(3,781)
Net profit/(loss) after tax		4,057	11,383
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gain/(loss) on the revaluation of land and buildings	D4	3,167	943
Gain/(loss) on remeasurement of defined benefit liability	E4	1,577	8,401
Gain/(loss) on remeasurement of equity instruments designated at fair value	D5	225	-
Income tax on revaluation of land and buildings	B2	(946)	(283)
Income tax on remeasurement of defined benefit liability	B2	(473)	(2,520)
Income tax on remeasurement of equity instruments designated at fair value	B2	(68)	-
Income tax on prior year	B2	-	(13)
Total items that will not be reclassified to profit or loss		3,482	6,528
Total comprehensive income/(expense) for the year attributable to the equity holders of the parent		7,539	17,911

* See note A5 for details regarding the restatement as a result of prior period error and reclassifications.
The Consolidated statement of Comprehensive Income is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated statement of Financial Position

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
AS AT 30 JUNE 2023

	Note	2023 \$'000	2022 Restated* \$'000	01/07/2021 Restated* \$'000
Current Assets				
Biological assets	C1	14,175	10,895	8,680
Cash and cash equivalents	D1(a)	10,739	15,125	11,132
Trade and other receivables	D2	5,879	8,811	7,018
Inventories	D3	18,300	14,789	15,536
Financial assets	D5	13,468	20,007	21,484
Other financial assets	D6	1,624	1,508	1,294
Total Current Assets		64,186	71,135	65,144
Non Current Assets				
Biological assets	C1	194,225	188,605	177,820
Trade and other receivables	D2	60	34	84
Property, plant and equipment	D4	53,281	46,175	44,833
Financial assets	D5	2,966	5	5
Total Non Current Assets		250,532	234,819	222,742
Total Assets		314,718	305,954	287,886
Current Liabilities				
Re-establishment provision	C2	3,473	3,035	3,291
Trade and other payables	D7	11,801	12,421	9,551
Lease liabilities	D8	1,012	1,255	954
Contract liabilities	D9	1,202	1,134	653
Employee benefits	E2	3,805	3,944	3,781
Total Current Liabilities		21,293	21,789	18,230
Non Current Liabilities				
Deferred tax liability	B2	32,826	29,594	22,998
Re-establishment provision	C2	7,089	6,200	6,721
Lease liabilities	D8	4,886	5,903	6,886
Contract liabilities	D9	6,124	6,189	6,255
Employee benefits	E3	22,099	22,417	29,753
Total Non Current Liabilities		73,024	70,303	72,613
Total Liabilities		94,317	92,092	90,843
Net Assets		220,401	213,862	197,043
Equity				
Contributed equity		381,518	381,518	381,518
Reserves		9,237	5,755	5,095
Retained earnings/(Accumulated losses)		(170,354)	(173,411)	(189,570)
Total Equity		220,401	213,862	197,043

* See note A5 for details regarding the restatement as a result of prior period error and reclassifications.
The Consolidated statement of Financial Position is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated statement of Cash Flows

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 \$'000	2022 Restated* \$'000
Cash flows from operating activities			
Inflows:			
Cash receipts from customers		118,338	104,745
Government funding		12,000	12,000
Interest received		1,116	297
Outflows:			
Cash paid to suppliers and employees		(127,486)	(111,976)
Interest paid on leases		(355)	(390)
Net cash provided by/(used in) operating activities	D1(b)	3,614	4,676
Cash flows from investing activities			
Inflows:			
Proceeds from investment in financial assets	D5	4,600	2,000
Proceeds from sale of property, plant and equipment	B1(i)	2,052	7,231
Outflows:			
Payments for investment in financial assets	D5	(3,761)	--
Payments to suppliers and employees for biological assets	C1	(871)	(493)
Payments for property, plant and equipment and other assets	D4	(10,968)	(7,210)
Net cash provided by/(used in) investing activities		(8,948)	1,528
Cash flows from financing activities			
Inflows:			
Proceeds from sale of other financial assets		6,405	6,045
Outflows:			
Payments for other financial assets		(3,691)	(6,481)
Lease payments	D1(c)	(767)	(682)
Ordinary dividend	B3	(1,000)	(1,092)
Net cash provided by/(used in) financing activities		947	(2,210)
Net increase/(decrease) in cash and cash equivalents held		(4,387)	3,994
Cash and cash equivalents at the beginning of the year	D1(a)	15,126	11,132
Cash and cash equivalents at the end of the year	D1(a)	10,739	15,126

* See note A5 for details regarding the restatement as a result of prior period error and reclassifications.
The Consolidated statement of Cash Flows is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated statement of Changes in Equity

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

	Contributed Equity \$'000	Asset Revaluation Reserve \$'000	Retained Earnings/ (Accumulated losses) \$'000	Total Equity \$'000
Balance at 1 July 2021 (Restated*)	381,518	5,095	(189,570)	197,043
Total comprehensive income for the year				
Profit or (loss)	-	-	11,383	11,383
<i>Other comprehensive income</i>				
Gain/(loss) on the revaluation of land and buildings	-	660	-	660
Gain/(loss) on remeasurement of defined benefit liability	-	-	5,881	5,881
Gain/(loss) on remeasurement of equity instruments designated at fair value	-	-	-	-
Transfer of prior year income tax to retained earnings	-	-	(13)	(13)
<i>Total other comprehensive income</i>	-	660	5,868	6,528
Total comprehensive income for the year	-	660	17,251	17,911
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Transfer of capital to equity holders	-	-	-	-
Dividends to equity holders	-	-	(1,092)	(1,092)
<i>Total contributions by and distributions to owners</i>	-	-	(1,092)	(1,092)
Balance at 30 June 2022 (Restated*)	381,518	5,755	(173,411)	213,862
Balance at 30 June 2022 (Restated*)	381,518	5,755	(173,411)	213,862
Total comprehensive income for the year				
Profit or (loss)	-	-	4,057	4,057
<i>Other comprehensive income</i>				
Gain/(loss) on the revaluation of land and buildings	-	2,221	-	2,221
Gain/(loss) on remeasurement of defined benefit liability	-	-	1,104	1,104
Gain/(loss) on remeasurement of equity instruments designated at fair value	-	157	-	157
Transfer of prior year income tax to retained earnings	-	-	-	-
<i>Total other comprehensive income</i>	-	2,378	1,104	3,482
Total comprehensive income for the year	-	2,378	5,161	7,539
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Dividends to equity holders	-	-	(1,000)	(1,000)
<i>Total transactions with owners</i>	-	-	(1,000)	(1,000)
Balance at 30 June 2023	381,518	8,133	(169,250)	220,401

* See note A5 for details regarding the restatement as a result of prior period error and reclassifications.
The Consolidated statement of Changes in Equity is to be read in conjunction with the accompanying notes to the financial statements.

Section A: Corporate Information and Basis for Preparation

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

A1 Details of reporting entity

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

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

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

A2 Statement of compliance

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

The consolidated financial statements for the year ended 30 June 2023 were authorised for issue by the Board of Directors on 4 August 2023.

A3 Basis of preparation

The consolidated financial statements are prepared on the historical cost basis except for the following:

- Biological assets are measured at fair value less costs to sell in note C1;
- Land under buildings are measured at fair value in note D4;
- Investments in bonds, debentures and equities included in Financial assets are measured at amortised cost in note D5;
- Superannuation liabilities included in Employee benefits in note E1 and E4.

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

The consolidated financial statements are compared to the consolidated financial statements for the prior 12-month period ended 30 June 2022.

A4 Basis of consolidation

The Group’s financial statements consolidate those of the parent entity and its controlled entities (subsidiaries) as at 30 June 2023. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group’s perspective.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary for consistency with the accounting policies adopted by the Group.

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

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

A5 Critical estimates, judgements and prior period errors

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

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

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

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

A5 Critical estimates, judgements and prior period errors (continued)

(a) Significant estimate and judgements

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

- Note B1 describes the process applied to determine the timing of satisfaction of performance obligations and recognition of revenue;
- Note C1 describes the methodology applied to estimate the value of Biological assets;
- Note C2 describes the basis applied to estimate the value of the Re-establishment provision;
- Note D4 describes depreciation, amortisation, impairment and revaluation of Property, plant and equipment;
- Note D7 describes the process applied by the Group to satisfy the recognition of Lease liabilities;
- Note E4 describes the methodology applied to estimate the value of defined benefit obligations (Employee Benefits) and other Employee Benefits;
- Note F1 describes the use of judgement to assess indicators of impairment for Financial assets;
- Note G8 describes the use of judgement to assess indicators of impairment for non-financial assets.

(b) Correction of material prior period errors and reclassification

- (i) During the year, the Group recognised that the accounting treatment applied to recognise an impairment loss to freehold land in the financial year ended 30 June 2010 was applied in error. The error has resulted in:
 - A material overstatement of the impairment loss on non-current assets and a corresponding understatement of the carrying value of freehold land for the financial year ended 30 June 2022 and prior financial years;
 - Overstatement of the gain on sale of assets in 2021/2022.
- (ii) During the year, the Group recognised that the accounting treatment applied to integrate the road asset with the fair value of biological assets since the financial year ended 30 June 2010 was applied in error. The error has resulted in:
 - A material understatement of the biological asset valuation increment and a corresponding understatement of the carrying value of biological assets recognised for the financial year ended 30 June 2022 and prior financial years.

- (iii) The Group previously presented road assets as a component of biological assets in the Consolidated Statements of Financial Position. However, management considers it to be more appropriate if biological assets only includes standing timber as one separate line item in the Consolidated Statement of Financial Position and therefore road assets have been reclassified to property, plant and equipment.
- (iv) The Group previously presented a re-establishment make good asset in biological assets in note C1. However, management considers it to be more appropriate if biological assets only includes standing timber as one separate line item in the Consolidated Statement of Financial Position and therefore the re-establishment make good asset has been reclassified to standing timber in note C1.
- (v) Reclassification of change in value of the re-establishment provision in Biological asset valuation increment.
- (vi) The Group previously presented the change in value of the re-establishment provision in the Biological asset valuation increment in Revenue. However, management considers it to be more appropriate if the Biological asset increment only includes the change in value of standing timber and therefore the change in value of the re-establishment position has been reclassified as an expense in note B1 (e).

The prior period errors and reclassifications have been corrected by restating each of the affected financial statement line items for the prior periods as follows:

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

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

A5 Critical estimates, judgements and prior period errors (continued)

Note	2022 \$'000	Increase/ (Decrease) \$'000	2022 Restated \$'000	2021 \$'000	Increase/ (Decrease) \$'000	01/07/2021 Restated \$'000
Consolidated Statement of Financial Position (extract)						
Non current assets						
Property, plant and equipment	25,022		25,022	24,121		24,121
Freehold land D4	-	10,537	10,537	-	11,853	11,853
Roads D4	-	10,616	10,616	-	8,859	8,859
	25,022	21,153	46,175	24,121	20,712	44,833
Total Non current assets	213,666	21,153	234,819	202,030	20,712	222,742
Total Assets	284,801	21,153	305,954	267,174	20,712	287,886
Non current liabilities						
Deferred tax liability B2	26,624	2,970	29,594	20,159	2,839	22,998
	26,624	2,970	29,594	20,159	2,839	22,998
Total Non current liabilities	67,333	2,970	70,303	69,774	2,839	72,613
Total Liabilities	89,122	2,970	92,092	88,004	2,839	90,843
Net assets	195,679	18,183	213,862	179,170	17,873	197,043
Retained earnings	(191,594)	18,183	(173,411)	(207,443)	17,873	(189,570)
	(191,594)	18,183	(173,411)	(207,443)	17,873	(189,570)
Total Equity	195,679	18,183	213,862	179,170	17,873	197,043

Note	2022 \$'000	Increase/ (Decrease) \$'000	2022 Restated \$'000
Consolidated Statement of Comprehensive Income (extract)			
Revenue			
Gain on sale of assets B1(i)	7,220	(1,316)	5,904
Biological asset valuation increment C1	11,526	981	12,507
Total Revenue	132,335	(335)	132,000
Expenses			
Expense from operations B1(e)	(116,100)	776	(115,324)
Total Expenses	(127,275)	776	(126,499)
Net profit/(loss) before tax	14,723	441	15,164
Income tax (expense)/benefit on net profit/(loss)	(3,650)	(131)	(3,781)
Net profit/(loss) after tax	11,073	310	11,383
Other comprehensive income	6,528	-	6,528
Total comprehensive income/(expense) for the year attributable to the equity holders of the parent	17,601	310	17,911

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

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

A6 New standards adopted as at 1 July 2022

Accounting pronouncements which have become effective from 1 July 2022 and have therefore been adopted do not have a significant impact on the Group's financial performance or position.

A7 New standards not yet adopted

At the date of authorisation of the financial statements, there are no new or revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant or material to its operations and effective for the accounting period that commenced on or after 1 July 2022.

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

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

Section B: Details on Financial Performance

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

B1 Operating profit

B1(a) Disaggregated Revenue

Accounting policy

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

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

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

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

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

Sale of forest products

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

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

Sale of leases, licences and other forest management services

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

Performance of Community Service Obligations

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

Other Government funding

The Group undertakes eligible activities as part of the Australian Government’s Emissions Reduction Fund for which the Clean Energy Regulator grants the Group the respective number of emissions certificates (Australian Carbon Credit Units [ACCUs]).

The Group recognises an unconditional Government grant upon receipt of each instalment of Australian Carbon Credit Units. Grants of emissions certificates are recognised in profit or loss in the period in which they are received (see note D3).

Section B: Details on Financial Performance (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

B1 Operating profit (continued)

B1(a) Disaggregated Revenue (continued)

During the year, the Group received sales revenue of \$8,635,000 from the sale of forest products pursuant to co-mingled sales agreements (2022: \$3,478,000). The revenue is included in sale of forest products. The Group also incurred expenses of \$8,635,000 pursuant to the same sales agreements (2022: \$3,478,000). The expenses are included in Contractor and freight expenses at note B1(e).

		Sale of leases, licences, insurance proceeds and other forest management services	Performance of Community Service Obligations	Other Government funding	Total	
		Sale of forest products 2023	2023	2023	2023	
	Note	\$'000	\$'000	\$'000	\$'000	
Type of goods or services						
Australia		103,043	6,873	12,000	299	122,215
Other countries		-	-	-	-	-
		103,043	6,873	12,000	299	122,215
Timing of revenue recognition						
Goods transferred at a point in time		103,043	183	-	-	103,226
Certificates received at a point in time		-	-	-	299	299
Services transferred over time		-	6,690	12,000	-	18,690
		103,043	6,873	12,000	299	122,215

		Sale of forest products	Sale of leases, licences, insurance proceeds and other forest management services	Performance of Community Service Obligations	Other Government funding	Total
	Note	2022 \$'000	2022 \$'000	2022 \$'000	2022 \$'000	2022 \$'000
Type of goods or services						
Australia		94,601	6,550	12,000	50	113,201
Other countries		-	-	-	-	-
		94,601	6,550	12,000	50	113,201
Timing of revenue recognition						
Goods transferred at a point in time		94,601	144	-	50	94,795
Certificates received at a point in time		-	-	-	-	-
Services transferred over time		-	6,343	12,000	-	18,343
Insurance proceeds	BI(c)	-	63	-	-	63
		94,601	6,550	12,000	50	113,201

Section B: Details on Financial Performance (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

B1 Operating profit (continued)

B1(a) Disaggregated revenue (continued)

During the year, the Group received emissions certificates amounting to \$299,000 (2022: \$Nil). The revenue is included in Other government funding. The emission certificates are recognised at fair value in Inventory at Note D3.

Performance of Community Service Obligations includes:

	2023 \$'000	2022 \$'000
Land management	8,000	8,000
Fuel reduction	2,000	2,000
Fire prevention	2,000	2,000
Total revenue from the performance of Community Service Obligations	12,000	12,000

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

	2023 \$'000	2022 \$'000
State Government's on-island processing program and physical upgrades to sawmills and timber companies	1,170	1,170
Net costs incurred in funding forestry-related election commitments	1,170	1,170

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

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

	2023 \$'000	2022 \$'000
Fire prevention	2,919	3,529
Net fire-fighting (income)/costs	359	884
Net costs incurred in the performance of Fire Prevention Community Service Obligation	3,278	4,413

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

Section B: Details on Financial Performance (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

B1 Operating profit (continued)

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

	2023 \$'000	2022 \$'000
Insurance proceeds	-	63
Expenses incurred in repairing and reinstating insured assets	-	(63)
Net income/(expense) from insurance proceeds	-	-

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

B1(e) Expenses from operations

	2023 \$'000	2022 \$'000
Contractor and freight expenses	79,916	73,880
Vehicle lease and associated costs	856	716
Property rental	86	154
Professional services	2,662	2,528
Consultancies	196	408
Local government rates	1,564	1,579
Property management	1,068	1,144
Equipment purchases and rentals	806	720
Office expenses	1,027	940
Information technology expense	1,965	1,467
Travel and accommodation	298	216
Operating lease rentals	753	933
Expected credit losses – trade receivables	321	509
Impairment of non-current assets	12	-
Re-establishment provision increment/(decrement)	1,327	776
Other expenses	3,234	3,097
	96,091	89,067

B1(f) Depreciation and amortisation expense

	Note	2023 \$'000	2022 \$'000
Roads and road structures	D4	2,699	2,851
Buildings and leasehold improvements	D4	311	296
Right to use assets	D4	847	1,028
Plant and equipment	D4	1,033	799
Vehicles	D4	1,321	1,288
		6,211	6,262

Section B: Details on Financial Performance (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

B1 Operating profit (continued)

B1(g) Employee benefits expense

	Note	2023 \$'000	2022 \$'000
Salaries and wages		18,343	17,461
Other employment related expenses		361	303
Contribution to accumulation superannuation funds		1,808	1,664
Employee service cost for defined benefit scheme	E4	677	949
		21,189	20,377
Total expenses incurred in implementing Tasmanian Forestry initiatives, operations, depreciation, amortisation and employee benefits expense		124,661	116,876

B1(h) Finance income and expense

Accounting policy

Finance income comprises gains on financial assets that are recognised in profit or loss (see notes D5 and F1). Finance income is recognised in profit or loss as it accrues using the effective interest method.

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

	2023 \$'000	2022 \$'000
Recognised in profit or loss:		
Dividend income	23	-
Interest income	1,069	388
Total finance income	1,092	388
Foreign exchange losses	(1,063)	(172)
Defined benefit liability interest costs	(1,196)	(950)
Finance charges – leased assets	(355)	(390)
Total finance expense	(2,614)	(1,512)

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

	2023 \$'000	2022* \$'000
Gain/(loss) on sale or disposal of assets	1,739	5,904
	1,739	5,904
Reconciliation of sale of assets		
Proceeds from sale	2,052	7,231
Written down value	(313)	(1,327)
Gain/(loss) on sale or disposal of assets	1,739	5,904

*See note A5 for details regarding the restatement as a result of prior period error and reclassifications.

Section B: Details on Financial Performance (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

B2 Taxation

Accounting policy

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

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

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

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

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

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

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

B2(a) Current tax (expense)/benefit

	2023 \$'000	2022 \$'000
Increase/(decrease) in deferred tax asset	(449)	(3,204)
(Increase)/decrease in deferred tax liability	(2,782)	(3,263)
Movement posted direct to other comprehensive income	473	2,520
Movement posted direct to equity reserve	1,014	283
Adjustment for prior year posted directly to equity reserve	-	13
	(1,743)	(3,651)

Section B: Details on Financial Performance (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

B2 Taxation (continued)

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

	2023 \$'000	2022 Restated* \$'000
Profit/(loss) before tax	5,800	15,164
Income tax (expense)/benefit using the tax rate of 30% (2022:30%)		
Expenditure not allowable for income tax purposes	(1,740)	(4,549)
Add prior year under/over provision	(3)	(6)
Recognise tax cost base of land disposed	-	13
Recognise prior year capital losses now utilised	-	184
Income tax (expense)/benefit on pre tax net profit	-	576
	(1,743)	(3,782)

B2(c) Deferred tax balances

	2023 \$'000	2022 Restated* \$'000
<u>Assets</u>		
Non current	28,698	29,147
<u>Liabilities</u>		
Non current	(61,525)	(58,743)
Net deferred tax asset/(liability)	(32,827)	(29,596)

*See note A5 for details regarding the restatement as a result of prior period error and reclassifications.

Section B: Details on Financial Performance (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

B2 Taxation (continued)

B2(d) Reconciliation of deferred tax balances

	2023					
	Opening balance \$'000	Under/Over \$'000	Charged to Statement of Comprehensive Income \$'000	Transferred from subsidiary \$'000	Charged to equity \$'000	Closing balance \$'000
Deferred tax assets						
Employee benefits	7,908	-	(137)	-	-	7,771
Other	5,388	-	438	-	-	5,826
Property, plant, equipment and land	7,054	-	(882)	-	(946)	5,226
Deferred tax losses	8,399	-	1,004	-	-	9,403
Provision for expected credit losses	398	-	75	-	-	473
Transfer – deferred tax liability	(29,147)	-	-	-	-	(29,147)
Total	-	-	497	-	(946)	(449)
Deferred tax liabilities						
Biological assets	(56,805)	-	(2,670)	-	-	(59,475)
Accrued revenue	-	-	(17)	-	-	(17)
Inventories	(1,938)	-	(27)	-	-	(1,965)
Property, plant, equipment and land	-	-	-	-	-	-
Investment in equity instruments	-	-	-	-	(68)	(68)
Transfer – deferred tax asset	29,147	-	-	-	-	29,147
Total	(29,595)	-	(2,714)	-	(68)	(32,377)
Net deferred tax assets/(liabilities)	(29,595)	-	(2,217)	-	(1,014)	(32,826)

	2022					
	Opening balance \$'000	Under/Over \$'000	Charged to Statement of Comprehensive Income \$'000	Transferred from subsidiary \$'000	Charged to equity \$'000	Closing balance \$'000
Deferred tax assets						
Employee benefits	10,043	-	(2,135)	-	-	7,908
Other	2,382	-	3,006	-	-	5,388
Property, plant, equipment and land	13,723	-	(6,386)	-	(283)	7,054
Deferred tax losses	7,578	-	821	-	-	8,399
Provision for expected credit losses	135	-	263	-	-	398
Transfer – deferred tax liability	(33,861)	-	-	-	-	(29,147)
Total	-	-	(4,431)	-	(283)	-
Deferred tax liabilities						
Biological assets	(49,721)	-	(7,084)	-	-	(56,805)
Inventories	(1,725)	-	(213)	-	-	(1,938)
Property, plant, equipment and land	(5,412)	-	5,412	-	-	-
Transfer – deferred tax asset	33,861	-	-	-	-	29,147
Total	(22,998)	-	(1,885)	-	-	(29,595)
Net deferred tax assets/(liabilities)	(22,998)	-	(6,316)	-	(283)	(29,595)

Section B: Details on Financial Performance (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

B3 Dividends

Accounting policy

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

An ordinary dividend of \$1,000,000 was paid during the 2022/23 financial year in relation to 2021/22 results (2022: \$1,091,791).

The Board will advise the Treasurer and the Minister for Resources of its recommendation in respect of a dividend payable by the Organisation, if any, in respect of the 2022/2023 financial year within 60 days of the end of the financial year.

Section C:
The Forest Estate

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

C1 Biological assets

Accounting policy

The Biological asset comprises standing timber on Permanent Timber Production Zone (PTPZ) land and freehold land acquired between 1997 and 2004.

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

The value of freehold land is measured at historical cost and included in note D4.

The value of roads is also measured at depreciated historical cost and is also included in note D4.

The standing timber is measured at fair value less costs to sell, with any changes in value recognised in the Statement of Comprehensive Income under ‘Biological asset valuation increment/(decrement)’.

An independent market valuation is performance based on a net present value (NPV) calculation. 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. Key assumptions underpinning the NPV calculation include:

- Forest valuations are based on the expected volumes of saleable timber that will be realised from existing stands, having considered management strategies and estimated timber recovery rates;
- Only the current crop (standing timber) is valued. The cash flow analysis is based on the optimised timing of the harvest of existing stands which has been developed in the context of sustainable yield management and the quantities available for harvest under the *Forest Management Act 2013*.
- Ancillary income earned from activities such as the leasing of land and other occupancy rights is added to the net harvest revenues.

A market derived discount rate of 8.5% (2022: 8.5%) is then used to discount the net annual income to determine a present value of the existing forest crop in accordance with the requirements of AASB 141 Agriculture to value the biological asset.

Rights to plantations at harvest date pursuant to Tree Farm Agreements are valued using the same methodology.

Biological assets are classified as current if it is anticipated they will be harvested within 12 months from balance date.

	2023 \$'000	2022 \$'000
Current		
Standing timber at valuation	14,175	10,895
Non current		
Standing timber at valuation	194,225	188,605
	194,225	188,605
	208,400	199,500

Section C: The Forest Estate (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

C1 Biological assets (continued)

Reconciliation of biological assets:

	Standing timber \$'000	Total \$'000
Carrying amount as at 1 July 2022	199,500	199,500
Additions	871	871
Change in fair value	8,029	8,029
	8,900	8,900
Carrying amount as at 30 June 2023	208,400	208,400
Carrying amount as at 1 July 2021	186,500	186,500
Additions	493	493
Change in fair value	12,507	12,507
	13,000	13,000
Carrying amount as at 30 June 2022	199,500	199,500

Biological assets are classified as level 3 on the fair value hierarchy. There were no transfers between level 1, 2 or 3 on the fair value hierarchy.

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

Description	Fair value at 30 June 2023 \$'000,000	Unobservable inputs	Inputs	Relationship of unobservable inputs to fair value
Forest estate incorporating biological asset	208.4	Price	5% increase	Value increases \$63.5m
		Discount rate	1% increase	Value decreases \$14.2m
		Discount rate	1% decrease	Value increases \$16.2m
		Cost	5% increase	Value decreases \$36.5m

Section C: The Forest Estate (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

C2 Re-establishment provision

Accounting policy

The Group recognises an obligation to re-establish harvested coupes at the conclusion of harvesting activities by setting aside a provision equivalent to the expected costs of re-establishment. The provision is based on harvested area and estimated treatment costs. Re-establishment is assessed and costs are estimated during the 3-year period from completion of harvesting activities.

The provision is apportioned between current and non-current liabilities based on the expected timing of re-establishment activities. Any increase/(decrease) in the provision is recognised in revenue as a Biological asset valuation increment/(decrement).

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

	2023 \$'000	2022 \$'000
Current	3,473	3,035
Non current	7,089	6,200
	10,562	9,235

Reconciliation of movement through the year:

	2023 \$'000	2022 \$'000
Carrying amount as at 1 July 2022	9,235	10,012
Additional provision made during the year	5,883	4,426
Utilisation of provision	(3,671)	(2,503)
Unused amounts reversed during the period	(885)	(2,700)
Unwinding of discount	-	-
Adjustment for change in discount rate	-	-
Carrying amount as at 30 June 2023	10,562	9,235

Section D: Details on Financial Position Items

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

D1 Cash and cash equivalents

Accounting policy

Cash and cash equivalents are classified as available-for-sale financial assets and measured at fair value subsequent to initial recognition, which is the face value of the cash. Cash and cash equivalents comprise cash at bank, cash on hand and short-term deposits with an original maturity date of 90 days or less. Term deposits with an original maturity date of between 91 days and 365 days are included in other financial assets at D5. Bank overdrafts that are repayable on demand and form part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

D1(a) Reconciliation of cash and cash equivalents

	2023 \$'000	2022 \$'000
For the purposes of the Cash flow statements, cash and cash equivalents comprise the following as at 30 June:		
Cash at bank	8,712	3,415
Short-term deposits	2,024	11,706
Floats and advances	3	4
	10,739	15,125

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

	2023 \$'000	2022 \$'000
Net profit/(loss) after tax	4,057	11,383
Add/(less) items classified as investing/financing activities:		
(Profit)/loss on disposal of non current assets	(1,739)	(5,904)
(Profit)/loss on other financial assets	24	(91)
Add/(less) non-cash items:		
Biological asset valuation (increment)/decrement	(8,029)	(12,507)
Depreciation and amortisation	6,211	6,262
Expected credit loss – trade receivables	321	509
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	2,906	(1,743)
(Increase)/decrease in other assets	(116)	(210)
(Increase)/decrease in inventories	(3,511)	747
Increase/(decrease) in trade and other payables	(614)	2,870
Increase/(decrease) in contract liabilities	3	415
Increase/(decrease) in deferred tax	3,232	3,794
Increase/(decrease) in provisions	870	(72)
Net cash provided by operating activities	3,614	5,453

Section D: Details on Financial Position Items (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

D1 Cash and cash equivalents (continued)

D1(c) Reconciliation of liabilities arising from financing activities

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

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

	Lease liabilities \$'000	Total \$'000
Carrying amount as at 1 July 2022	7,158	7,158
Changes from financing cash flows:		
Cash Received	-	-
Cash Payments	(767)	(767)
Balance as at 30 June 2023	6,391	6,391

D2 Trade and other receivables

Accounting policy

Trade and other receivables are recognised on performance of the Group's obligations and measured at fair value. The net carrying value of trade receivables is considered a reasonable approximation of fair value. Collection terms are generally between 30-60 days for trade receivables (2022: 30-90 days). The average debtor days at 30 June 2023 was 16 days (2022: 23 days).

The Group's trade and other receivables have been reviewed for expected credit losses. Certain trade receivables were found to be impaired and an allowance of \$321,000 (2022: \$509,000) has been recognised within other expenses at note B1(b).

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

	2023 \$'000	2022 \$'000
Current		
Trade and other receivables	7,154	9,282
Less provision for expected credit loss	(1,576)	(1,328)
Accrued revenue	435	991
Less provision for expected credit loss	(134)	(134)
Total current receivables	5,879	8,811
Non current		
Other	60	34
Total non current receivables	60	34

Section D: Details on Financial Position Items (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

D3 Inventories

Accounting policy

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

- Raw materials – purchase cost or costs of direct materials and labour and a proportion of overheads;
- Finished goods and work in progress – costs of direct materials and labour and a proportion of overheads;
- Emissions certificates – fair value determined by the market price of certificates traded on the platform at the date the certificate is issued.

The Group undertakes eligible activities as part of the Australian Government’s Emissions Reduction Fund for which the Clean Energy Regulator grants the Group the respective number of emissions certificates (Australian Carbon Credit Units [ACCUs]).

The Group recognises emissions certificates as inventories. Emissions certificates received from the Government are initially measured at deemed cost which is equal to fair value and is determined based on the market price of certificates traded on the platform at that date.

The cost of emissions certificates is based on the first-in, first-out allocation method. Emissions certificates are subsequently measured at the lower of cost and net realisable value.

During the year, the Group received emissions certificates amounting to \$299,000.

Initial fair value of emissions certificates received from Government are recognised in revenue as government grants (see note B1).

	2023 \$’000	2022 \$’000
Gravel stocks at cost	3,010	3,046
Seed and seedlings at cost	3,115	3,019
Harvested timber at cost	11,547	8,449
Stores general at cost	329	275
Australian Carbon Credit Units	299	-
	18,300	14,789

Section D: Details on Financial Position Items (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

D4 Property, plant and equipment

Accounting policy

Freehold land

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

The Group also holds title to freehold land purchased between 1997 and 2004. The carrying value of freehold land is determined using the historical cost method. In 2010, the carrying value of freehold land was written down to zero. During the year, the Group recognised that the accounting treatment was applied in error and therefore the carrying value of freehold land for the financial year ended 30 June 2022 and prior financial years [see note A5 (b)(i)].

Roads

During the year, the Group considered it to be more appropriate if biological assets only includes standing timber as one separate line item in the Consolidated statement of financial position and therefore road assets have been reclassified to property, plant and equipment [see note A5 (b)(i)].

The carrying value of roads is determined using the historical cost method.

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

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

Land and buildings

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

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

are recognised as revenues in other comprehensive income. Revaluation decrements are only offset against revaluation increments relating to the same asset. Any excess is recognised as an expense.

Right-of-use assets

Right-of-use assets are recognised at cost less accumulated depreciation and accumulated impairment losses

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

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

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

Plant and equipment, vehicles and capital work in progress

Plant and equipment, and vehicles and capital work in progress are recognised at cost less accumulated depreciation and accumulated impairment losses.

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

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

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

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

Section D: Details on Financial Position Items (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

D4 Property, plant and equipment (continued)

Accounting policy (continued)

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

Depreciation

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

Assets under lease are amortised over the shorter of the lease term and the useful life unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

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

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

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

Section D: Details on Financial Position Items (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

D4 Property, plant and equipment (continued)

D4(i) Reconciliation of property, plant and equipment assets

	Freehold land \$'000	Roads \$'000	Land under buildings \$'000	Buildings \$'000	Right -of-use assets \$'000	Plant & equipment \$'000	Vehicles \$'000	Capital work in progress \$'000	Total \$'000
Carrying amount at 1 July 2021	11,853	8,859	2,024	9,029	7,253	5,028	-	786	44,832
Additions	-	4,608	-	-	-	1,454	1,334	3,219	10,615
Disposals	(1,316)	-	-	-	-	(8)	(3)	-	(1,327)
Reallocation	-	-	-	-	-	(1,237)	1,237	-	-
Revaluation	-	-	262	682	-	-	-	-	943
Movement in work in progress	-	-	-	-	-	(193)	-	(2,434)	(2,627)
Depreciation	-	(2,851)	-	(296)	(1,028)	(799)	(1,288)	-	(6,262)
Carrying amount at 30 June 2022	10,537	10,616	2,286	9,415	6,225	4,245	1,280	1,571	46,175
Carrying amount at 1 July 2022	10,537	10,616	2,286	9,415	6,225	4,245	1,280	1,571	46,175
Additions	-	4,836	-	-	-	924	1,731	4,858	12,349
Disposals	(89)	-	(180)	-	-	(32)	(13)	-	(313)
Reallocation	-	-	-	-	(493)	-	-	-	(493)
Revaluation	-	-	1,024	2,142	-	-	-	-	3,167
Movement in work in progress	343	736	-	-	-	-	-	(2,460)	(1,381)
Impairment	-	-	-	(12)	-	-	-	-	(12)
Depreciation	-	(2,699)	-	(311)	(847)	(1,034)	(1,321)	-	(6,211)
Carrying amount at 30 June 2023	10,791	13,489	3,130	11,235	4,885	4,104	1,678	3,969	53,281
Carrying value of assets under the cost model at 30 June 2023	10,791	13,489	1,341	7,047	-	2,672	1,678	-	12,738

Section D: Details on Financial Position Items (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

D5 Financial assets

Accounting policy

The accounting policy for financial assets is disclosed in note F1. A general description of each category of financial assets follows.

Prepayments

Prepayments represent amounts paid to suppliers for services that are delivered over a term of up to 12 months. Prepayments are measured at amortised cost.

Term deposits

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

Term deposits are held-to-maturity assets and measured at amortised cost. Interest on term deposits is recognised in profit or loss as a gain on Financial assets at note B1(i) as it accrues using the effective interest method.

Bonds and debentures

Bonds and debentures include Government and corporate issued debt instruments.

Bonds and debentures are held-to-maturity assets and measured at amortised cost. Interest is recognised in profit or loss as a gain on Financial assets at note B1(i) as it accrues using the effective interest method.

Other financial assets

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

Equity investments measured at fair value through profit or loss

Equity investments measured at fair value through profit or loss represent an equity investment held in an Australian unlisted public company. Dividends are recognised in profit or loss as a gain on Financial assets at note B1(i) at fair value.

Equity investments measured at fair value through other comprehensive income

Equity investments measured at fair value through other comprehensive income include investments in real assets, domestic equities and international equities. Dividends are recognised in profit or loss as a gain on Financial assets at note B1(i) at fair value. Gains/(losses) that arise on measurement at fair value are recognised in other comprehensive income.

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

	Note	2023 \$'000	2022 \$'000
Current			
Other term deposits		9,300	13,900
Bonds and debentures		800	-
Other financial assets		3,369	6,107
Total current financial assets		13,468	20,007
Non current			
Investments in equity instruments designated at fair value through profit or loss	D5(i)	5	5
Investments in equity instruments designated at fair value through other comprehensive income	D5(i)	2,961	-
Total non current financial assets		2,966	5

D5(i) Reconciliation of movement in investments in equity instruments designated at fair value through other comprehensive income

	2023 \$'000	2022 \$'000
Carrying amount at 1 July	5	5
Additions	2,741	-
Change in fair value	225	-
Carrying amount at 30 June	2,966	5

Section D: Details on Financial Position Items (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

D6 Other assets

	2023 \$'000	2022 \$'000
Current		
Prepayments	1,624	1,508
	1,624	1,508

D7 Trade and other payables

Accounting policy

The accounting policy for trade and other payables is disclosed in Note F1.

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

	2023 \$'000	2022 \$'000
Current		
Trade creditors and other payables	8,424	8,056
Accrued expenses	3,377	4,365
Total current payables	11,801	12,421

Section D: Details on Financial Position Items (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

D8 Lease liabilities

Accounting policy

The Group recognises a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

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

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

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

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

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

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

	2023 \$'000	2022 \$'000
Current	1,012	1,255
Non current	4,886	5,903
	5,898	7,158
Reconciliation of movement through the year:		
Carrying amount at 1 July	7,158	7,840
Interest expense	355	390
Payments	(1,122)	(1,072)
Carrying amount at 30 June	6,391	7,158

	2023 \$'000	2022 \$'000
Maturity analysis		
Year 1	962	1,123
Year 2	985	962
Year 3	910	985
Year 4	698	910
Year 5	624	698
Onwards	4,159	4,783
Less unearned interest	(1,948)	(2,303)
Carrying amount at 30 June	6,391	7,158

Section D: Details on Financial Position Items (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

D9 Contract liabilities

Accounting policy

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

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

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

	2023 \$'000	2022 \$'000
Current	1,202	1,134
Non current	6,124	6,189
	7,326	7,323

	2023 \$'000	2022 \$'000
Deferred income – forestry rights		
Opening balance	6,188	6,254
Receipts	-	-
Revenue recognised in comprehensive income	(66)	(66)
Closing balance	6,122	6,188
Other Contract liabilities		
Opening balance	1,135	654
Receipts	350	531
Revenue recognised in comprehensive income	(281)	(50)
Closing balance	1,204	1,135
Closing balance as at 30 June 2023	7,326	7,323

Section D: Details on Financial Position Items (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

D10 Interest bearing liabilities

Accounting policy

The accounting policy for financial liabilities is disclosed in Note F1.

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

The Treasurer provided explicit support to the Tasmanian Public Finance Corporation for the Group’s borrowings as part of the Government’s response to the COVID-19 pandemic. This support is limited to a maximum borrowing limit of \$5 million.

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

The carrying amount of trade and other receivables which the Group has pledged as security is \$8,154,000 (2022: \$9,282,000).

The facility limit remains in place at 30 June 2023 although the Group has not required the use of the facility since it was made available.

The Group also has a A\$2,000,000 multi-currency overdraft facility to facilitate foreign currency transactions (2022: A\$2,000,000) and a \$500,000 credit card facility limit.

The overdraft facility was undrawn at 30 June 2023 (2022: undrawn). The credit card facility was drawn in the amount of \$15,000 at 30 June 2023 (2022: \$16,000).

The full amount payable on credit cards is included in current liabilities as this is payable within 31 days before interest is charged. After this date, the payable bears interest at 18.50% pa (2022:17.99% pa) payable monthly.

	2023 \$’000	2022 \$’000
Financing arrangements		
The Organisation has access to the following lines of credit:		
Total facilities available:		
Credit cards	500	500
Multi currency overdraft facility	2,000	2,000
Loan facility – secured	5,000	5,000
	7,500	7,500
Facilities used at balance date:		
Credit cards	15	16
Multi currency overdraft facility	-	-
Loan facility – secured	-	-
	15	16
Facilities not utilised at balance date:		
Credit cards	485	484
Multi currency overdraft facility	2,000	2,000
Loan facility – secured	5,000	5,000
	7,485	7,484

Section E:
Employee Entitlements

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

E1 Employee benefits

Accounting policy

Superannuation

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a salary and wage expense in profit or loss when they are due.

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

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

The discount rate is the yield at the reporting date based on AA credit-rated or government bonds that have maturity dates approximating the terms of the Group’s obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the Projected Unit Credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Group if it realisable during the life of the plan, or on settlement of the plan liabilities.

The accounting standard states that the discount rate used to value employee benefit liabilities should be based on the yield on high quality corporate bonds if a deep market for these bonds exists (if not, the discount rate should be based on government bond yields). It has been determined that a liquid market does exist. On this basis the Defined Benefit Obligation at 30 June 2023 is based on a corporate bond yield of 5.70% (2022: 5.35%).

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

The defined benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. The superannuation liability is determined by Mercer (Australia) Pty Ltd, appointed by the Department of Treasury and Finance.

Annual leave

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

Long service leave

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

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

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

Workers compensation

The Group is a self-insurer for workers compensation. The provision for workers compensation is set at a level to cover estimated medical expenses, compensation payments and likely common law settlements for reported claims as at 30 June 2023. The provision also includes an allowance for incurred but unreported claims at 30 June 2023.

Sick leave

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

Section E: Employee Entitlements (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

E2 Current employee benefits

	2023 \$'000	2022 \$'000
Annual leave	1,225	1,204
Long service leave	1,878	2,031
Superannuation defined benefit scheme	643	655
Workers compensation	59	54
	3,805	3,944

E3 Non current employee benefits

	2023 \$'000	2022 \$'000
Long service leave	319	221
Superannuation defined benefit scheme	21,780	22,196
	22,099	22,417

Assumed rate of increase in wages and salaries rates	3.50%	3.50%
Discount rate used in the calculation of the long service leave provision ranges from 2.47% to 4.01% (2022 range 2.47% to 4.01%).		
Settlement terms (years) – long service leave	10 years	10 years

Section E: Employee Entitlements (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

E4 Superannuation liability

Key assumptions	2023 \$'000	2022 \$'000
Assumptions to Determine Defined Benefit Cost		
Discount rate (active members)	5.35%	3.20%
Discount rate (pensioners)	5.35%	3.20%
Expected rate of increase of compulsory preserved amounts	5.50%	3.00%
Expected salary increase rate	3.50%	3.00%
Expected pension increase rate	5.50%	2.25%
Assumptions to Determine End of Year Defined Benefit Obligation		
Discount rate (active members)	5.70%	5.35%
Discount rate (pensioners)	5.70%	5.35%
Expected salary increase rate	3.50%	3.50%
Expected rate of increase of compulsory preserved amounts	3.50%	5.50%
Expected pension increase rate	3.50%	5.50%

Sensitivity analysis

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

	Base Case	Scenario A	Scenario B	Scenario C	Scenario D
Discount rate (pa)	5.70%	4.70%	6.70%	5.70%	5.70%
Pension increase rate (pa)	2.50%	2.50%	2.50%	1.50%	3.50%
Defined benefit obligation (A\$'000s)	27,029	30,954	23,859	24,923	29,600

	2023 \$'000	2022 \$'000
Profit or loss impact		
Current service cost	677	949
Net interest	1,196	950
Defined benefit cost recognised in profit or loss	1,873	1,899
Other comprehensive income		
Actuarial (gains) losses	(1,784)	(9,243)
Actuarial return on plan assets less interest income	207	842
Total remeasurements recognised in other comprehensive income	(1,577)	(8,401)
Reconciliation of the Net Defined Benefit Liability/(Asset)		
Defined Benefit Obligation	27,029	27,284
Fair value of plan assets	(4,606)	(4,433)
Deficit/(surplus)	22,423	22,851
Net defined benefit liability/(asset)	22,423	22,851
Current net liability	643	655
Non current net liability	21,780	22,196

Section E: Employee Entitlements (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

E4 Superannuation liability (continued)

	2023 \$'000	2022 \$'000
Reconciliation of the Fair Value of Scheme Assets		
Fair value of plan assets at beginning of the year	4,433	4,999
Interest income	241	163
Actual return on plan assets less interest income	(207)	(842)
Employer contributions	724	806
Contributions by plan participants	336	326
Benefits paid	(912)	(1,009)
Taxes, premiums and expenses paid	(9)	(10)
Fair value of plan assets at end of the year	4,606	4,433
	2023 \$'000	2022 \$'000
Reconciliation of the Defined Benefit Obligation		
Present value of defined benefit obligation at beginning of the year	27,284	35,158
Current service cost	677	949
Interest cost	1,437	1,113
Contributions by plan participants	336	326
Actuarial (gains)/losses arising from changes in demographic assumptions	(106)	-
Actuarial (gains)/losses arising from changes in financial assumptions	(1,148)	(8,338)
Actuarial (gains)/losses arising from liability experience	(530)	(905)
Benefits paid	(912)	(1,009)
Taxes, premiums and expenses paid	(9)	(10)
	27,029	27,284

Fair value of scheme assets	Quoted prices in active markets for identical assets – Level 1		Significant observable inputs – Level 2	Unobservable inputs – Level 3
Asset Category	Total			
Cash Deposits	-	-	-	-
Australian Equities	713	-	713	-
International Equities	865	-	865	-
Infrastructure	732	-	179	553
Diversified fixed interest	1,091	-	1,091	-
Property	870	-	87	783
Alternative Investments	335	-	335	-
Total	4,606	-	3,270	1,336

The weighted average duration of the defined benefit obligation at 30 June 2023 is 13.8 years.

Expected employer contributions for the year ended 30 June 2023 are \$643,000 (30 June 2022: \$655,000).

Section E: Employee Entitlements (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

E4 Superannuation liability (continued)

	2023 \$'000	2022 \$'000
Current service cost		
1 Total current service cost at beginning of year	(952)	(1,226)
2 Interest for the year	(51)	(39)
3 Expected contributions tax and expenses	(10)	(10)
4 Expected employee contributions	336	326
5 Expected change in contributions tax provision	-	-
6 Accumulation contributions met from surplus	-	-
7 Current service cost	(677)	(949)
Interest expense		
1 Defined benefit obligation at beginning of year	27,284	35,158
2 Expected distributions	(825)	(721)
a. Weighted timing	(413)	(361)
3 Average defined benefit obligation (1-2a)	26,871	34,797
4 Discount rate	5.35%	3.20%
5 Interest expense (3 x 4)	(1,437)	(1,113)
Interest income		
1 Fair value of plan assets at beginning of year	4,433	4,999
2 Expected employer contributions	655	576
a. Weighted for timing	328	288
3 Expected employee contributions	336	326
a. Weighted for timing	168	163
4 Expected distributions during year	825	721
a. Weighted for timing	413	361
5 Expected expenses, tax and insurance premiums	10	10
a. Weighted for timing	5	5
6 Average expected fair value of assets (1+2a+3a-4a-5a)	4,511	5,084
7 Discount rate	5.35%	3.20%
8 Interest income (6 x 7)	241	163
Net interest		
1 Interest expense	(1,437)	(1,113)
2 Interest income	241	163
3 Net interest (1-2)	(1,196)	(950)
Actuarial (Gains)losses (recognised in Other Comprehensive Income)		
1 Actuarial (gain)/loss on Defined Benefit Obligation – experience	(530)	(905)
2 Actuarial (gain)/loss on Defined Benefit Obligation – change in demographic assumptions	(106)	-
3 Actuarial (gain)/loss on Defined Benefit Obligation – change in financial assumptions	(1,148)	(8,338)
4 Actuarial (gain)/loss (1+2+3)	(1,784)	(9,243)

Section E: Employee Entitlements (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

E5 Key management personnel compensation and other disclosures

Remuneration principles

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

Non-executive Director remuneration

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

Superannuation is paid at the appropriate rate as prescribed by superannuation guarantee legislation. No other leave, termination or retirement benefits are accrued or paid to Directors. Directors are entitled to reimbursement of reasonable expenses incurred. Non-executive Directors’ remuneration is reviewed periodically with increases subject to approval by the Treasurer and Portfolio Minister.

Executive remuneration

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

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

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

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

The employment terms and conditions of the General Management Team are contained in individual employment contracts and related documents which prescribe total remuneration, superannuation, annual and long service leave and vehicle and salary sacrifice provisions. In addition to their salaries, the Organisation may also provide non-monetary benefits and contribute to post-employment superannuation funds on their behalf.

The performance of each senior executive, including the Chief Executive Officer, is reviewed annually, which includes a review of the remuneration package. The terms of employment of each senior executive, including the Chief Executive Officer, contain a termination clause that requires the senior executive or the Organisation to provide a minimum notice of between 3 and 6 months prior to termination of the contract or make redundancy payments if relevant. Whilst not automatic, contracts can be extended.

Chief Executive Officer contracts for GBEs include a set term consistent with the requirements of the Government *Business Enterprises Act 1995*. Service contracts have duration not exceeding five years but can be extended based on the Organisation’s requirements.

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position. The Organisation has not made any loans with any member of the Board of Directors, the General Management Team or their related parties.

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

Other key management personnel are determined to be the members of the Organisation’s General Management Team. The Organisation’s General Management Team comprises 5 members at 30 June 2023 (2022: 5 members).

The Remuneration Committee of the Board is responsible for determining and reviewing compensation arrangements for members of the General Management Team.

Section E: Employee Entitlements (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

E5 Key management personnel compensation and other disclosures (continued)

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

There were no overseas trip completed by Directors or senior management (members of the General Management Team) during the year (2022: Nil). During the year, 8 employees of the business travelled overseas as part of an Australian deployment to an international firefighting campaign. The Organisation will be reimbursed for the incremental cost of salary and travel costs incurred on the deployment (2022: Nil).

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

	Director Remuneration		Executive Remuneration		Consolidated	
	2023 \$’000	2022 \$’000	2023 \$’000	2022 \$’000	2023 \$’000	2022 \$’000
Short-term employee benefits	403	407	1,433	1,373	1,836	1,780
Post-employment benefits	41	41	157	142	198	183
Other long-term benefits	-	-	29	35	29	35
Termination benefits	-	-	-	-	-	-
	444	448	1,619	1,550	2,063	1,998

For Director remuneration, short-term employment benefits includes Director fees, Committee fees and Other benefits. Post-employment benefits represents superannuation contributions.

For Executive remuneration, short-term employment benefits includes Salary, short-term incentive payments, Other monetary benefits, Vehicle benefits and Other non-monetary benefits. Post-employment benefits represents superannuation contributions and long-term employee benefits includes leave movements. Termination benefits are as provided for below.

The following tables disclose the remuneration details for each person that acted as a Director during the current and previous financial year:

2023 Director Remuneration¹

Name	Position	Start Term	End Term	Director fees \$’000	Committee fees \$’000	Other Benefits ² \$’000	Superannuation ³ \$’000	Total \$’000
Mr R de Fégely ^{AM}	Chair	01-Jun-2016		111	-	1	12	123
Ms S Baker	Director	15-Dec-2015	13-Jun-2023	50	3	1	6	60
Mrs K A Westwood	Director	01-Aug-2018		52	7	1	6	66
Mrs T Ryan	Director	01-Jul-2019		52	4	1	6	64
Ms K Schaefer	Director	01-Feb-2020		52	7	4	6	69
Prof. R Keenan	Director	18-Jul-2022		50	3	1	6	60
Ms J Bennett	Director	14-Jun-2023		3	-	-	-	3

Board remuneration notes and statements

- ¹ Amounts are all forms of consideration paid, payable or provided by the entity, i.e., disclosure is made on an accruals basis as at 30 June.
- ² Other benefits include mileage allowances paid to compensate Directors for travel expenses incurred to attend Board meetings and the taxable value of meal entertainment expenses.
- ³ Superannuation means the contribution to the superannuation fund of the individual, including accrued superannuation.

Section E: Employee Entitlements (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

Name	Position	Start Term	End Term	Director fees \$'000	Committee fees \$'000	Other Benefits ² \$'000	Superannuation ³ \$'000	Total \$'000
Total				370	24	9	41	444

E5 Key management personnel compensation and other disclosures (continued)

2022 Director Remuneration¹

Name	Position	Start Term	End Term	Directors fees \$'000	Committee fees \$'000	Other Benefits ² \$'000	Superannuation ³ \$'000	Total \$'000
Mr R de Fégely ^{AM}	Chair	01-Jun-2016		111	-	1	11	123
Ms S Baker	Director	15-Dec-2015		53	3	1	6	63
Prof. M Hunt	Director	22-Dec-2015	30-Jun-2022	53	3	1	6	63
Mrs K A Westwood	Director	01-Aug-2018		53	6	1	6	66
Mrs T Ryan	Director	01-Jul-2019		53	4	1	6	64
Ms K Schaefer	Director	01-Feb-2020		53	5	5	6	69
Total				376	21	10	41	448

Board remuneration notes and statements

- 1 Amounts are all forms of consideration paid, payable or provided by the entity, i.e., disclosure is made on an accruals basis as at 30 June.
- 2 Other benefits include mileage allowances paid to compensate Directors for travel expenses incurred to attend Board meetings and the taxable value of meal entertainment expenses.
- 3 Superannuation means the contribution to the superannuation fund of the individual, including accrued superannuation.

The following tables disclose the remuneration details for each person that acted as a Senior Executive during the current and previous financial year:

2022-23	Salary ¹ \$'000	Short-Term Incentive Payments ² \$'000	Other Monetary Benefits ³ \$'000	Vehicle Benefits ⁴ \$'000	Other Non-Monetary Benefits ⁵ \$'000	Superannuation ⁶ \$'000	Reported Remuneration ⁷ \$'000	Other Long-Term Benefits ⁸ \$'000	Termination Benefits ⁹ \$'000	Total \$'000
Mr S Whiteley – Chief Executive Officer	410	-	-	-	2	51	463	5	-	468
Mr C Brookwell – Company Secretary & GM Corporate Services	315	-	-	-	1	33	349	1	-	350
Mr G Hickey – GM Operations	246	-	-	-	2	26	274	11	-	285
Mrs S Weeding – GM Conservation and Land Management	226	-	-	5	2	24	256	10	-	266
Mr D Bartlett – GM Commercial	224	-	-	-	1	24	248	2	-	250
Sub-total	1,421	-	-	5	8	157	1,591	29	-	1,619
Total	1,421	-	-	5	8	157	1,591	29	-	1,619

Section E: Employee Entitlements (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

E5 Key management personnel compensation and other disclosures (continued)

2021-22	Salary ¹ \$'000	Short-Term Incentive Payments ² \$'000	Other Monetary Benefits ³ \$'000	Vehicle Benefits ⁴ \$'000	Other Non-Monetary Benefits ⁵ \$'000	Superannuation ⁶ \$'000	Reported Remuneration ⁷ \$'000	Other Long-Term Benefits ⁸ \$'000	Termination Benefits ⁹ \$'000	Total \$'000
Mr S Whiteley – Chief Executive Officer	398	-	-	-	2	47	447	(1)	-	446
Mr C Brookwell – Company Secretary & GM Corporate Services	303	-	-	-	1	30	334	10	-	344
Mr G Hickey – GM Operations	233	-	-	(1)	2	23	257	12	-	269
Mrs S Weeding – GM Conservation and Land Management	212	-	-	8	2	21	243	7	-	250
Mr D Bartlett – GM Commercial	212	-	-	-	1	21	234	7	-	241
Sub-total	1,358	-	-	7	8	142	1,514	35	-	1,550
Total	1,358	-	-	7	8	142	1,514	35	-	1,550

Executive remuneration notes and statements

- Amounts are all forms of consideration paid, payable or provided by the entity, i.e., disclosure is made on an accruals basis and includes all accrued benefits at 30 June.
- 1 Salary includes all forms of consideration paid and payable for services rendered and compensated absences during the period.
- 2 Short-term incentive payments are non-recurrent amounts paid or payable which depend on achieving specified performance goals within specified timeframes. These payments are capped at 15 per cent of salary as per the Guidelines for Tasmanian Government Businesses – Director and Executive Remuneration (Revised June, 2021). There were no short-term incentive payments paid or payable to Executives.
- 3 There are no other monetary benefits paid or payable to Executives.
- 4 Vehicle benefits include the personal use component of the total cost of providing and maintaining a vehicle for an Executive's use, including registration, insurance, fuel and other consumables and maintenance costs and the reportable fringe benefits tax payable in relation to the vehicle.
- 5 Other non-monetary benefits paid or payable to Executives includes the taxable value of car parking benefits and meal entertainment expenses.
- 6 Superannuation means the contribution paid or payable to the superannuation fund of the individual measured as follows:
- for individuals in an accumulation superannuation scheme, the amount of superannuation contributions paid and accrued;
 - for individuals in a defined benefits superannuation scheme, superannuation includes the relevant notional employer contributions calculated using a notional cost base of salary.
- 7 Reported Remuneration includes the individual's salary, short-term incentive payments, other monetary benefits, vehicle benefits, other non-monetary benefits and superannuation. For the purpose of assessing compliance with the Guidelines, Other long-term employee benefits and termination benefits are not included in the Reported Remuneration amount.
- 8 Other long-term benefits include movements in annual and long service leave provisions.
- 9 Termination benefits include all forms of benefits paid or accrued as a consequence of termination.

Section F: Financial Instruments and Risk Management

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

F1 Financial assets and liabilities

Accounting policy

Financial assets

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met [see (ii) below].

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative

amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognised in profit or loss and is included in the 'Interest income' line item (note B1(h)).

(ii) Equity instruments designated as at Fair Value Through Other Comprehensive Income (FVTOCI)

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Section F: Financial Instruments and Risk Management (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

F1 Financial assets and liabilities (continued)

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with AASB 9 *Financial Instruments* unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'Dividend income' line item [note B1(h)] in profit or loss.

The Group designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition (see note D5).

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI [see (i) above] are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is not held for trading as at FVTOCI on initial recognition [see (ii) above];
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria [see (i) and (ii) above] are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'Other financial income' line item [Note B1(h)].

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item [note B1(h)];
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item as part of the fair value gain or loss [note B1(h)];

- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered may include the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

Section F: Financial Instruments and Risk Management (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

F1 Financial assets and liabilities (continued)

In particular, the following information is considered when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term;
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of ‘investment grade’ in accordance with the globally understood

definition or if an external rating is not available, the asset has an internal rating of ‘performing’. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor;
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without considering any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event (see (ii) above);
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties.

Section F: Financial Instruments and Risk Management (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

F1 Financial assets and liabilities (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit loss

The measurement of expected credit loss is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets’ gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit loss in the previous reporting period, but determines at the current reporting date that the conditions for lifetime expected credit loss are no longer met, the Group measures the loss allowance at an amount equal to 12-month expected credit loss at the current reporting date, except for assets for which the simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability

for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt of equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Organisation’s own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Organisation’s own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Section F: Financial Instruments and Risk Management (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

F1 Financial assets and liabilities (continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

The Group uses derivative financial instruments including foreign exchange forward contracts to manage its exposure to foreign exchange rate risks. Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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

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

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

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

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

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

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

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

Classes and categories of financial instruments and their fair values

The following table combines information about:

- Classes of financial instruments based on their nature and characteristics;
- The carrying amounts of financial instruments;
- Fair values of financial instruments (except financial instruments when carrying amount approximates their fair value);
- Fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Section F: Financial Instruments and Risk Management (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

F1 Financial assets and liabilities (continued)

		Financial assets			Financial liabilities		Fair value				
	Note	Amortised cost \$'000	FVTPL \$'000	FVTOCI – designated \$'000	Amortised cost \$'000	FVTPL \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2023											
Financial Assets											
Cash and cash equivalents	D1	10,739	-	-	-	-	10,739				
Trade and other receivables	D2	5,939	-	-	-	-	5,939				
Other term deposits	D5	9,300	-	-	-	-	9,300				
Bonds and debentures	D5	800	-	-	-	-	800				
Other financial assets	D5	3,369	-	-	-	-	3,369				
Investments in equity instruments designated at fair value through profit or loss	D5	-	5	-	-	-	5	-	-	5	5
Investments in equity instruments designated at fair value through other comprehensive income	D5	-	-	2,961	-	-	2,961	2,961	-	-	2,961
		30,147	5	2,961	-	-	33,113	2,961	-	5	2,966
Financial Liabilities											
Trade and other payables	D7	-	-	-	(11,801)	-	(11,801)	-	-	-	-
		-	-	-	(11,801)	-	(11,801)	-	-	-	-
		30,147	5	2,961	(11,801)	-	21,312	2,961	-	5	2,966

Section F: Financial Instruments and Risk Management (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

F1 Financial assets and liabilities (continued)

		Financial assets			Financial liabilities		Fair value				
		Amortised cost \$'000	FVTPL \$'000	FVTOCI – designated \$'000	Amortised cost \$'000	FVTPL \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
	Note										
As at 30 June 2022											
Financial Assets											
Cash and cash equivalents	D1	15,125	-	-	-	-	15,125				
Trade and other receivables	D2	8,845	-	-	-	-	8,845				
Other term deposits	D5	13,900	-	-	-	-	13,900				
Bonds and debentures	D5	-	-	-	-	-	-				
Other financial assets	D5	6,107	-	-	-	-	6,107				
Investments in equity instruments designated at fair value through profit or loss	D5	-	5	-	-	-	5	-	-	5	5
Investments in equity instruments designated at fair value through other comprehensive income	D5	-	-	-	-	-	-	-	-	-	-
		43,977	5	-	-	-	43,982	-	-	5	5
Financial Liabilities											
Trade and other payables	D7	-	-	-	12,421	-	12,421	-	-	-	-
		-	-	-	12,421	-	12,421	-	-	-	-
		43,977	5	-	12,421	-	56,403	-	-	5	5

Section F: Financial Instruments and Risk Management (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

F2 Financial risk management objectives

The Group's finance function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports, which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group may seek to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The finance function reports periodically to the Group's Finance, Audit and Risk Management Committee which monitors risks and policies implemented to mitigate risk exposures.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below). The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on the sale of forest product where revenue is denominated in a foreign currency.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

(i) Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies and consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Note	2023 \$'000	2022 \$'000
Currency: United States Dollars (USD)			
Financial assets		USD	USD
Trade and other receivables	D2	54	41
		54	41
Financial liabilities			
Trade and other payables	D7	30	-
		30	-

Forward exchange contracts

It is the policy of the Group to enter into foreign exchange forward contracts to manage the foreign currency risk associated with anticipated sales out to 6 months for up to 100 per cent of the exposure generated.

Section F: Financial Instruments and Risk Management (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

F2 Financial risk management objectives (continued)

(ii) Interest rate risk management

The Group is exposed to interest rate risk on financial assets.

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

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

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 0. 5% (2022: +/- 0.5%).

	Note	Fair value at 30 June 2023 \$'000	Unobservable inputs	Inputs	Relationship of unobservable inputs to Profit and Equity
Financial assets					
Other term deposits	D5	9,300	Interest rate	0.5% increase 0.5% decrease	Profit and equity increases 0% Profit and equity decreases 0%
Bonds and debentures	D5	800	Interest rate	0.5% increase 0.5% decrease	Profit and equity increases 0% Profit and equity decreases 0%
		10,100			
	Note	Fair value at 30 June 2022 \$'000	Unobservable inputs	Inputs	Relationship of unobservable inputs to Profit and Equity
Financial assets					
Other term deposits	D5	13,900	Interest rate	0.5% increase 0.5% decrease	Profit and equity increases 0% Profit and equity decreases 0%
Bonds and debentures	D5	-	Interest rate	0.5% increase 0.5% decrease	Profit and equity increases 0% Profit and equity decreases 0%
		13,900			

(iii) Commodity price risk

Commodity price risk in the Group primarily arises from price fluctuations and the availability of solid wood products.

(iv) Other price risks

The Group is exposed to equity price risks arising from equity investments. Equity investments in unlisted entities are held for strategic rather than trading purposes. The Group does not actively trade these investments.

The Group invested in a portfolio of listed shares which are held with the objective to generate higher investment returns over a longer-term horizon (5–10 years).

Section F: Financial Instruments and Risk Management (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

F2 Financial risk management objectives (continued)

Credit risk management

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Investments in financial instruments, bonds, debentures and redeemable notes as detailed in note D4, where the counterparties have a minimum BBB- credit rating, are considered to have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group’s exposure and the credit ratings of its counterparties are continually monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Before accepting any new customer, a dedicated team responsible for the determination of credit limits uses external credit sources to assess the potential customer’s credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed monthly by the Debt Management Committee.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade debt and debt investment on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts.

Trade receivables consist of a small number of customers in the forestry industry in Tasmania. Ongoing credit evaluation is performed on the financial condition of trade receivable where there is credit risk after considering the financial collateral and security in place. The Group has not procured any credit guarantee insurance in respect of trade receivables at reporting date.

Of the trade receivables balance at the end of the year, \$612,000 (2022: \$3,363,000) is due from the Group’s largest customer. Apart from this, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk related to the Group’s largest customer did not exceed 20 per cent of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 5 per cent of gross monetary assets at any time during the year. The concentration of credit risk is limited because the customer base is unrelated.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group’s maximum exposure to credit risk and the measurement bases used to determine expected credit losses is detailed at (ii) below.

(i) Collateral held as security and other credit enhancements

The Group holds collateral and other credit enhancements to cover its credit risks associated with its trade receivables. The Group is not permitted to sell or repledge the collateral in the absence of default by the debtor.

There have not been any significant changes in the quality of the collateral held for trade receivables.

The Group considers collateral held and other credit enhancements when evaluating any loss allowance for trade receivables.

(ii) Overview of the Group’s exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At reporting date, the Group’s maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is derived from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Section F: Financial Instruments and Risk Management (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

F2 Financial risk management objectives (continued)

The Group’s current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit impaired.	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

The tables below detail the credit quality of the Group’s financial assets as well as the Group’s maximum exposure to credit risk by credit risk rating grades where applicable.

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross Carrying amount \$’000	Loss allowance \$’000	Net Carrying amount \$’000
As at 30 June 2023							
Financial Assets							
Cash and cash equivalents	D1	N/A	Performing	Lifetime ECL (not credit impaired)	10,739	-	10,739
Trade and other receivables	D2	N/A	Performing	Lifetime ECL (simplified approach)	5,939	(1,710)	4,229
Other term deposits	D5	AA-	Performing	12 month ECL – low credit risk assets	9,300	-	9,300
Bonds and debentures	D5	BBB-	Performing	12 month ECL – low credit risk assets	800	-	800
Other financial assets	D5	N/A	Performing	Lifetime ECL (simplified approach)	3,369	-	3,369
Investments in equity instruments designated at fair value through profit or loss	D5	N/A	Performing	12 month ECL – low credit risk assets	5	-	5
Investments in equity instruments designated at fair value through other comprehensive income	D5	N/A	Performing	12 month ECL – low credit risk assets	2,961	-	2,961
					33,113	(1,710)	31,403

Section F: Financial Instruments and Risk Management (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

F2 Financial risk management objectives (continued)

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross Carrying amount \$’000	Loss allowance \$’000	Net Carrying amount \$’000
As at 30 June 2022							
Financial Assets							
Cash and cash equivalents	D1	N/A	Performing	Lifetime ECL (not credit impaired)	15,125	-	15,125
Trade and other receivables	D2	N/A	Performing	Lifetime ECL (simplified approach)	8,845	(1,462)	7,383
Other term deposits	D5	AA-	Performing	12 month ECL – low credit risk assets	13,900	-	13,900
Bonds and debentures	D5	BBB-	Performing	12 month ECL – low credit risk assets	-	-	-
Other financial assets	D5	N/A	Performing	Lifetime ECL (simplified approach)	6,107	-	6,107
Investments in equity instruments designated at fair value through profit or loss	D5	N/A	Performing	12 month ECL – low credit risk assets	5	-	5
Investments in equity instruments designated at fair value through other comprehensive income	D5	N/A	Performing	12 month ECL – low credit risk assets	-	-	-
					43,982	(1,462)	42,520

For trade receivables the Group has applied the simplified approach in AASB 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continually monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set out at note D8.

Section F: Financial Instruments and Risk Management (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

F2 Financial risk management objectives (continued)

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt and equity of the Group.

Debt is defined by the Group as long- and short-term borrowings and lease liabilities as disclosed in notes D7 and D8. Net debt is defined as debt after deducting cash and cash equivalents.

Equity includes capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

The Group is not subject to any externally imposed capital requirements. The Group’s risk management committee reviews the capital structure on an annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

	Note	2023 \$'000	2022 \$'000
Gearing ratio			
The gearing ratio at reporting date is as follows:			
Debt			
Lease liabilities	D8	5,898	7,158
		5,898	7,158
Cash and cash equivalents	D1	10,739	15,125
Net debt (debt less cash and cash equivalents)		(4,841)	(7,967)
Equity		220,401	213,862
Net debt to equity ratio		-	-

Section G:
Other Disclosures

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

G1 Expenditure commitments

G1(a) Capital expenditure commitments

	2023 \$'000	2022 \$'000
TasGRN Network		
Not longer than one year	(104)	-
Between one and five years	(1,044)	-
Later than five years	(1,357)	-
	(2,506)	-
Land and buildings		
Not longer than one year	(1,319)	-
Between one and five years	-	-
	(1,319)	-
	(3,825)	-

G2 Contingent liabilities

Accounting policy

Indemnities have been provided to Directors and senior management of the Group in respect of liabilities to third parties arising from their positions, except where the liability arises out of conduct involving a lack of good faith. No monetary limit applies to these agreements and there are no known obligations outstanding at 30 June 2023.

The Group has an obligation pursuant to a forestry right to purchase future standing timber at the fair market value in the year 2116. The obliging event is equally unperformed by both parties at balance date and the future obligation does not apply until the expiration of the forestry right in the year 2116 and therefore it is difficult to reliably quantify any obligation.

At various anniversary dates of the Plantation sale and purchase agreement, the Purchaser is able to surrender the relevant part of the Forestry Right where they deem the land Unproductive Area (unsuitable and/or uneconomical for future commercial plantation forestry). The Group may be entitled to receive a Regeneration Payment from the Purchaser as part of the surrender where the Purchaser has harvested timber or the area is damaged by fire. The Group has an obligation to regenerate the Unproductive Area pursuant to the requirements of the Forest Practices Code. This is a legal obligation and the Group must complete the regeneration activity in accordance with contemporary forestry standards. There is no indication as to whether any Unproductive land will be handed back to the Group. An estimate of the financial effect is impractical having considered the uncertainties relating to the amount and timing of any outflow.

Section G: Other Disclosures (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

G3 Parent entity information

Accounting policy

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

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

Information relating to Sustainable Timber Tasmania:

	2023 \$'000	2022 \$'000
Statement of Comprehensive Income		
Revenue	131,088	132,084
Expenses	(125,302)	(116,880)
Net profit/(loss) before tax	5,786	15,204
Income tax (expense)/benefit	(1,739)	(3,510)
Net profit/(loss)	4,047	11,694
Other comprehensive income	3,442	6,541
Total comprehensive income	7,489	18,235
Statement of Financial position		
Current assets	58,248	62,865
Non current assets	256,447	243,061
Total assets	314,695	305,926
Current liabilities	21,288	21,779
Non current liabilities	73,742	71,008
Total liabilities	95,030	92,787
Net Assets/(Liabilities)	219,665	213,137
Equity		
Issued capital	381,518	381,518
Retained earnings	(169,679)	(173,829)
Reserves:		
– Asset revaluation	7,826	5,448
Total equity	219,665	213,137

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

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

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

Section G: Other Disclosures (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

G4 Controlled entities

The controlled entities within the Group comprise:

	Percentage of Shares	
	2023	2022
Parent: Forestry Tasmania		
Newood Holdings Pty Limited (ACN: 103 220 426)	100%	100%
Parent: Newood Holdings Pty Ltd (ACN: 103 220 426)		
Newood Huon Pty Limited (ACN: 103 219 861)	100%	100%
Newood Smithton Pty Limited (ACN: 103 219 843)	100%	100%
Newood Energy Pty Limited (ACN: 129 980 061)	100%	100%

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

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

Information related to Newood Holdings Pty Ltd:

	2023 \$'000	2022 \$'000
Statement of Comprehensive Income		
Revenue	672	701
Expenses	(658)	(740)
Net profit/(loss) before tax	14	(39)
Income tax (expense)/benefit	(4)	12
Net profit/(loss)	10	(27)
Other comprehensive income	-	-
Total comprehensive income	10	(27)
Statement of Financial position		
Current assets	8,600	8,270
Non current assets	1,233	1,241
Total assets	9,833	9,511
Current liabilities	13	11
Non current liabilities	9,054	8,744
Total liabilities	9,067	8,755
Net Assets/(Liabilities)	767	757

Related party information:

	Sales to related parties		Purchases from related parties		Amounts owed by related parties		Amounts owed to related parties	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Parent								
Newood Holdings Pty Ltd	-	-	12	12	9	9	-	-

Section G: Other Disclosures (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

G5 Auditors’ remuneration

	2023 \$’000	2022 \$’000
Amounts paid and payable to the Tasmanian Audit Office for auditing the financial statements of the Organisation.	116	119
Amounts paid and payable to other service providers for internal and other regulatory audit services.	83	88
	199	207

G6 Events subsequent to balance date
2023

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

G7 Operating segments

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

Revenues from major products and services

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

Geographical information

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

	2023 \$’000	2022 \$’000
Revenue		
Australia	133,075	132,335
Other countries	-	-
Total revenue	133,075	132,335

All non current assets are located within Australia.

Information about major customers

Included in revenues arising from the sale of forest products, lease agreements, licences and other forest management services and the performance of community service obligations are revenues of \$36,841,000 (2022: \$18,084,000) which arose from the sale of forest products to the Group’s largest customer and \$17,510,000 (2022: \$11,920,000) from the sale of forest products to the Group’s second largest customer.

No other single customers contributed 10 per cent or more to the Group’s revenue in either 2023 or 2022.

Section G: Other Disclosures (continued)

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

G8 Other accounting policies

Accounting policy

Goods and services tax

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

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

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

Impairment of assets

Non-financial assets

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

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

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

Foreign currency transactions

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

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

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

Reserves

Property revaluation reserve – the Group’s land under buildings and building assets are valued at fair value with any changes in the values of the asset taken to the reserve.

Financial asset revaluation reserve – the Group’s Equity investments designated at FVTOCI are valued at fair value with any changes in the values of the asset taken to the reserve.

Section H: Certification of financial statements

SUSTAINABLE TIMBER TASMANIA AND ITS SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2023

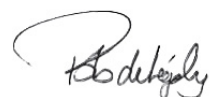
It is the opinion of the Directors of Sustainable Timber Tasmania:

- a) the financial statements and notes of the Group are in accordance with the *Government Business Enterprises Act 1995*, including:
 - I. giving a true and fair view of the results and cash flows for the financial year ended 30 June 2023 and the financial position as at 30 June 2023; and
 - II. complying with Australian Accounting Standards and Interpretations and with the Treasurer's Instructions.
- b) there are reasonable grounds to believe that Sustainable Timber Tasmania will be able to pay its debts as and when they fall due.

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

- a) the financial records of Sustainable Timber Tasmania for the financial year ended 30 June 2023 have been properly maintained in accordance with Section 52 of the *Government Business Enterprises Act 1995*; and
- b) the financial statements and notes for the financial year ended 30 June 2023 give a true and fair view.

Signed in accordance with a resolution of the Directors.



Rob de Fégely AM
Chair
4 August 2023



Kathryn Westwood
Director
4 August 2023



Independent Auditor's Report

FOR THE YEAR ENDED 30 JUNE 2023

Independent Auditor's Report

To the Members of Parliament
Forestry Tasmania
Report on the Audit of the Financial Report

Opinion

I have audited the financial report of Forestry Tasmania, trading as Sustainable Timber Tasmania (STT) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the statement of certification by the Directors.

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance and its cash flows for the year then ended;
- (b) complying with Australian Accounting Standards.

Basis for Opinion

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

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

I confirm that the independence declaration provided to the Directors of STT on 3 August 2023, would be in the same terms if provided to the Directors at the time of this auditor's report.

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

Key Audit Matters

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

Independent Auditor’s Report

(continued)

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
Forest Estate – Valuation of biological assets Refer to notes A5, C1	
STT relied upon the work of an independent valuation expert to value forest estate at \$208.40 million as at 30 June 2023. The forest estate comprised current and non-current standing timber of \$14.18 million and \$194.22 million, respectively. The valuation methodology applied to value the forest estate involves an income capitalisation approach using a discounted cash flow model which estimates the net annual income derived from the existing native forest, hardwood plantation and softwood planation tree crops. A market derived discount rate is applied to discount the annual net incomes to arrive at a present value for the existing forest estate. The calculation is complex and subject to numerous assumptions. Changes in market conditions, discount rate and key assumptions are inherently subjective and significantly impact the value of the forest estate.	- Assessing the scope of work, expertise, and independence of the expert engaged by STT to value the forest estate. - Reviewing the validity of the valuation method used, including its compliance with the accounting framework, specifically <i>AASB 141 Agriculture</i>. - Reviewing the basis of the underlying assumptions used. - Validating the accuracy of data, including prices, volumes and costs provided by STT to the valuation expert. - Evaluating management’s and the Directors’ review and adoption of the valuation. - Verifying the accounting treatment for changes in the value of biological assets and assessing the adequacy of relevant disclosures in the financial report.
Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
Defined benefit superannuation obligations Refer to note E1, E2, E3 and E4	
STT has employees who are members of a defined benefit superannuation scheme. STT’s obligation under the scheme, less the fair value of plan assets, is recognised in the statement of financial position and is valued at \$22.42 million at 30 June 2023. The value of the unfunded superannuation liability and movements recognised in the financial statements are based on an annual independent valuation. This valuation is complex and is based upon a number of assumptions and the use of discount rates, all of which are subjective.	- Assessing the competence and independence of the actuary who performed the valuation. - Evaluating the completeness and accuracy of information provided by STT to the actuary. - Evaluating the appropriateness of the valuation methodology applied to determine the value of the obligation, as advised by the actuary, including the assumptions used. - Comparing the defined benefit liability by member as at 30 June 2023 with 30 June 2022, investigating the reason for significant variations. - Verify the accounting treatment for changes in the value of the liability. - Assessing the adequacy of relevant disclosures in the financial report.

Independent Auditor’s Report

(continued)

Other Information

The Directors are responsible for the other information. The other information comprises the information included in STT’s Directors’ Report for the year ended 30 June 2023, but does not include the financial report and my auditor’s report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor’s Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Independent Auditor's Report

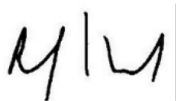
(continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the Group audit. I remain solely responsible for my audit opinion.

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

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

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



Rod Whitehead
Auditor-General
Tasmanian Audit Office
4 August 2023
Hobart

Florentine Valley, southern Tasmania.



Information Tables

Table 1: Emissions

Direct and indirect greenhouse gas emissions from Sustainable Timber Tasmania

Scope	Description	Unit	Tonnes
Scope 1	Direct emissions from owned or controlled sources (petrol and diesel)	Carbon dioxide equivalents (tonnes)	899
Scope 2	Indirect emissions from the generation of purchased electricity		181
Total			1,080

Table 2: Forest Practices

All forest operations must be carried out in accordance with a certified Forest Practices Plan. These plans are independently audited by the Forest Practices Authority (FPA).

Forest Practices system requirements	Result
Submitted the Three Year Wood Production Plan to FPA and made publicly available	Achieved
Forest Practices Plan reporting compliance	100%
Forest Practices Plans audited by the FPA:	7
• Number of individual questions	615
• % individual questions which achieved highest possible rating	96.2%

Table 3: Stakeholder Engagement Activity

Stakeholder Groups*	Engagements 2022/2023	Number of individual stakeholders
Community	95	100
Neighbours	86	93
Environmental	39	46
Businesses	39	40
Recreational users	37	37
Tourism	25	28
Commercial users	18	24
Government (local and state)	33	46
Other	25	26
Total	397	440

*Reported Stakeholder Groups do not include customers, contractors or regulatory bodies.

Table 4: Education, Research and Community Funding

	Amount*
Forest Education Foundation	\$316,000
Forestry Australia	\$22,500
Tasmanian Forests and Forest Products Network	\$ 20,000
Tasmanian Symphony Orchestra	\$6,000
Rural Alive & Well Inc	\$1,500
Relationships Australia Tasmania	\$1,364
Total	\$367,364

*Figures are GST exclusive

Table 5: Buy Local and Payment of Accounts

Buy Local	
Proportion of total purchases from Tasmanian businesses	98%
Value of purchases from Tasmanian businesses (\$ million)	\$120.3
Number of Tasmanian businesses paid	593
Payment of Accounts	
Creditor days	10
Number of accounts due for payment	6,949
Number of accounts paid on time	6,083
Amount due for payment (\$ million)	\$122.8
Amount paid on time (\$ million)	\$114.8
Number of payments of interest on overdue accounts	0
Interest paid on overdue accounts	0

Additional Information Tables and data from 2022/2023 are available for reading on Sustainable Timber Tasmania's website (sttas.com.au).

Table 6: Overseas Travel

	2022/23
Number of overseas trips by Directors or employees*	8
Total cost of overseas trips (\$)	-

*Eight firefighters deployed to Canada

Table 7: Superannuation

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

Table 8: Consultancies

Valued at more than \$50,000 (excluding GST)			
Name	Description	Period of Engagement	Amount
Abetz Curtis, Tasmania	Legal services	July 2022 – June 2023	\$518,422
Deloitte, Tasmania	Risk advisory services	July 2022 – June 2023	\$187,362
Indufor Group, Victoria	Technical forestry services	February 2023 – June 2023	\$97,356
KPMG, Victoria	Cyber security advisory services	June 2022 – August 2022	\$95,157
Integrity Governance and Advisory, Victoria	Executive team review	November 2022 – June 2023	\$58,826
Total			\$957,123

Valued at less than \$50,000 (excluding GST)	
Number	Total
7	\$149,426

Table 9: Information Disclosures

Right to Information Disclosures	Number
Applications for assessed disclosure received	7
Applications for assessed disclosure refused*	4
Applications for assessed disclosure relating to exempt information in full or part. Exempt information provisions: Section 27 (1); Section 35 (1); Section 36 (4)	2
Applications reveiwed internally and the outcome of the reviews upheld in full (1) upheld in part (0)	N/A

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

*Refused refers to applications which were actively disclosed or Sustainable Timber Tasmania informed the applicant it intended to refuse unless the scope of the request was refined.

Table 10: Community Service Obligations

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

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

Snapshot

Additional Information Tables and data from 2022/2023 are available for reading on Sustainable Timber Tasmania's website (sttas.com.au).

	2021/22	2022/23
Forest estate ('000 hectares)		
Permanent Timber Production Zone land	812	811
Land available for wood production	468	466
Other areas of native forest ¹	216	218
Managed for reservation ²	127	128
Public land managed by Sustainable Timber Tasmania ³	8	8
Private land managed by Sustainable Timber Tasmania ⁴	1	1
Total Sustainable Timber Tasmania managed land	821	820
Forest types ('000 hectares)		
Native forest	711	711
Hardwood plantation ⁵	53	53
Softwood plantation ⁵	54	54
Area harvested (hectares)		
Native forest – selective harvesting	5,222	4,770
Native forest – clearfell harvesting	1,517	1,354
Hardwood plantation	879	970
Wood production		
Total production (cubic metres and tonnes)	1,390,447	1,201,760
High quality sawlog (cubic metres)	115,869	103,129
Native forest sawlog Cat. 2 and 8 (cubic metres)	43,476	57,611
Native forest posts, poles and piles (units)	4,841	1,854
Native forest high grade domestic peeler logs (tonnes)	44,039	29,493
Native forest export peeler logs	51,919	14,456
Native forest pulpwood (tonnes)	668,447	610,695
Firewood (cubic metres)	11,637	9,712
Other products (e.g. bark, sawdust) (tonnes)	25,406	19,740
Special species timber and craftwood (cubic metres)	14,070	8,381
Hardwood plantation (solid wood and pulpwood) (tonnes)	187,587	223,369
Softwood plantation (sawlog and pulpwood) (tonnes)	223,254	118,506

	2021/22	2022/23
Fire management		
Number of bushfires attended	25	30
Permanent Timber Production Zone land burnt by bushfires (hectares)	1,694	121
Hours devoted to firefighting	8,362	2,453
Net cost of suppression (\$'000)	884	420
Fuel reduction burns completed on Permanent Timber Production Zone land (hectares)	5,470	1,363
Access to the forest (kilometres)		
New roads constructed	36.4	39.3
Roads maintained	3,296	3,262

¹ Areas not part of the eucalypt wood resource due to such factors as non-commercial forest, excessive slope, streamside reserves, inaccessibility, etc.

² Permanent Timber Production Zone land managed by Sustainable Timber Tasmania for conservation values as part of the Tasmanian Comprehensive, Adequate, Reserve (CAR) system.

³ Areas on Buckland Military Training Area managed by Sustainable Timber Tasmania.

⁴ Plantations on private land fully or jointly owned by Sustainable Timber Tasmania.

⁵ Plantation figures include plantations over which Sustainable Timber Tasmania has no management control.

	2021/22 Restated*	2022/23
Finance – Comprehensive Income (\$'000)		
Revenue		
Revenue from sale of forest products	94,601	103,043
Government funding	12,050	12,000
Other income	12,454	8,911
Finance income	388	1,092
Forest valuation increase	12,507	8,029
Total revenue	132,000	133,075
Expenses		
Expenses from operations	(115,324)	(124,661)
Finance expense	(1,512)	(2,614)
Total expenses	(116,836)	(127,275)
Net profit/(loss) before tax	15,164	5,800
Income tax (expense)/benefit on net profit/loss	(3,781)	(1,743)
Net profit/(loss) after tax	11,383	4,057
Other comprehensive income	6,528	3,482
Total comprehensive income	17,911	7,539
Finance – Financial Position (\$'000)		
Borrowings (net of cash)	–	–
Net assets	213,862	220,401
Finance – Cash Flow (\$'000)		
Operating cash flows	4,676	3,614
Investing cash flows	1,528	(8,948)
Employment		
Number of employees (head count)	168	169
Number of employees (full time equivalents)	159	163
Lost time injury frequency rate (employees)	–	–
Tasmanian businesses		
Payments to Tasmanian businesses (\$ million)	105	120
Number of Tasmanian businesses paid	647	593
Payments to harvest and haulage contractors (\$ million)	60.7	54.6

*See note A5 for details regarding the restatement as a result of prior period error and reclassifications.



