Forestry Corporation

Annual Report 2023–24

Acknowledgement of Country

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

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

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

Contents

Letter of submission

31 October 2024

The Hon. Daniel Mookhey MLC
Treasurer
Parliament House
Macquarie Street
Sydney NSW 2000

The Hon. Courtney Houssos MLC
Minister for Finance
Parliament House
Macquarie Street
Sydney NSW 2000

Dear Treasurer and Minister

We are pleased to submit the Annual Report for Forestry Corporation of NSW (Forestry Corporation) for the year ended 30 June 2024 for tabling in Parliament.

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

The report was prepared in accordance with the *Government Sector Finance Act 2018*, the applicable provisions of the *State Owned Corporations Act 1989* and the *Forestry Act 2012*.

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

Yours sincerely

Stefanie Loader
Chair

Overview

Chair and CEO message

The year ended 30 June 2024 (FY24) was a challenging one for Forestry Corporation of NSW. We faced extraordinary external pressures that impacted our production and financial performance alongside heightened scrutiny on our operations in native forests. It was also a year in which we achieved an important milestone on our journey in support of the development of renewable energy in NSW.

Sales of softwood timber fell short of targets for a second consecutive year due to a persistent downturn in the structural lumber market. As softwood sawlogs are primarily used in the construction of new homes, the decline in housing starts over recent years has contributed to this shortfall. Given that softwood timber sales are our largest revenue source, the financial impact of this downturn has been substantial, despite cost-containment measures being put in place.

While demand for hardwood timber, which is not tied to new housing construction, remained strong, production and revenue were well below expectations due to a range of complex external factors including weather, regulatory changes and legal challenges.

Fires and wet weather disrupted operations in western NSW, with protracted flooding preventing access to forests in the Riverina for more than 15 months. Wet weather also affected operations in coastal forests, but on the coast this impact was compounded by disruptions due to regulatory changes, and activism including protests and applications filed for legal injunctions by various groups.

Native forest management and its environmental regulation are of significant public interest. The State and Commonwealth Governments have a long-established and robust regulatory framework to ensure ecologically sustainable forest management across the landscape. Within this framework, Forestry Corporation operates under a comprehensive set of regulations designed to balance timber production with environmental considerations, ensuring the continued sustainability of both the forests and the timber they produce.

During the year, the Government introduced several regulatory changes, including new protections for koala hubs within the proposed Great Koala National Park assessment area and additional safeguards for southern greater gliders. Identifying and protecting the habitat of threatened and endangered species is a fundamental tenet of responsible forest management and we are committed to implementing the new Government regulations. However, in the context of this annual financial report, it must be acknowledged that these regulatory changes reduced timber production and revenue for the year and increased operational costs.

Protests and applications for legal injunctions lodged with the courts by community groups also impacted operations this year. We recognise that community members have differing views on forestry and we must have regard to these views while meeting our obligations to carry out sustainable timber production. Matters brought before the courts by community groups can be complex, protracted and costly to resolve, but it is essential that they are clarified.

Additionally, action taken by the native forest regulator during the period led to convictions for breaches in operations conducted several years ago. We deeply regret these breaches and have accepted the penalties imposed. Native forestry is regulated by a detailed and complex ruleset and there is a strong regulator in NSW that ensures we are routinely audited and held to account if we do not comply. Non-compliance is unacceptable and we have taken corrective actions enhancing our focus on compliance, investing in resources and technology and continuing to implement the recommendations of the NSW Audit Office, which completed a review into the regulation of native forestry in June 2023.

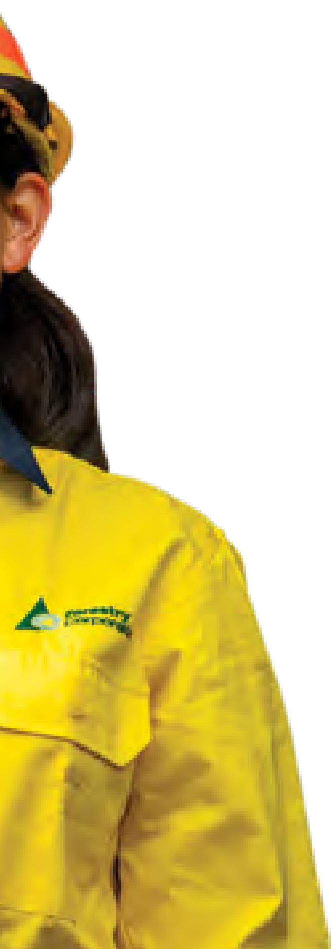
Despite the challenges over the past year, we remain focused on the future. During the year we invested approximately $92 million in expanding our plantation estate, acquiring 6,500 hectares of planted and plantable land in softwood regions, which will increase the softwood timber resource available to the community for future generations.

In a major development, in May we issued the first ever investigation permits for potential renewable energy in softwood timber plantations. Investigations and community engagement have only just commenced and will take place in relation to plantations near Black Springs, Sunny Corner, Bondo and Orange over several years. Co-locating renewable energy and timber production on the same land base is an exciting opportunity that also aligns with State and Commonwealth government initiatives to reduce carbon emissions.

“Co-locating renewable energy and timber production on the same land base is an exciting opportunity that also aligns with State and Commonwealth government initiatives to reduce carbon emissions.

Key developments

- 46% reduction in soft tissue injuries.
- Acquired approximately 6,500 hectares of planted and plantable land in softwood regions.
- Issued the first ever investigation permits for potential renewable energy in softwood timber plantations.
- Continued to invest in the forests and communities we serve.
- Invested approximately $92 million in expanding our plantation estate.
- Repaired more than 2,000 kilometres of flood-damaged roads.



Throughout the year we continued to invest in the forests and communities we serve. Bago State Forest, which lost the much-loved Sugar Pine Walk to the 2019-20 Black Summer fires is now home to the Bago Sculpture Forest, developed in collaboration with Sculpture by the Sea and featuring 13 sculptures by local, national and international artists. In partnership with local communities, we have also continued to progress new mountain biking infrastructure on the south coast and the unique Guulabaa – Place of Koala precinct, which will open in Cowarra State Forest on the mid north coast during FY25. Our largest-ever road and bridge repair program, the three-year $60 million Government-funded Forest Infrastructure Repair Program, also continued and has now delivered more than 160 key road, bridge and culvert projects since 2022.

We also continued to invest in improving workplace safety and wellbeing. A targeted initiative aimed at reducing soft-tissue injuries resulted in a 46 per cent decline compared to the previous year. Given the dynamic and hazardous nature of forest environments, it was particularly encouraging to see a 27 per cent reduction in injuries from trips and falls in FY24, attributed to increased awareness and improved job design. Additionally, we launched a workplace campaign to raise awareness about critical safety risks and controls, which has been well received by staff. However, we have seen an increase in psychological injuries compared to the prior year. In response, we introduced mental health first aid training, and addressing mental health support will remain a key focus in the coming year.

Looking ahead, we remain committed to delivering on our three-year strategic plan, anchored in the pillars of Care, Connect, and Grow. In the coming year, our key priorities will include fostering the health and wellbeing of our staff, strengthening connections with local communities to showcase the diverse values of public forests, and growing our forest estate. We also anticipate further changes to our operating environment as the NSW Government continues its assessments for the establishment of the Great Koala National Park on the north coast and progresses with the development of a revised Forestry Industry Action Plan, announced after the reporting period.

Our dedicated and passionate team of highly skilled staff remain committed to managing the State's forests and timber resources sustainably, working within the Government's framework to ensure the responsible stewardship of these resources today and for future generations.

Stef Loader
Chair

Anshul Chaudhary
CEO

About Forestry Corporation of NSW

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

We manage around two million hectares of multiple-use public native forests, including coastal native forests, cypress forests and red gum forests, approximately 230,000 hectares of softwood timber plantations in the central west, south and north of NSW and around 34,000 hectares of hardwood timber plantations in north east NSW.

State forests are managed to deliver multiple benefits including environmental conservation, community access and tourism, and renewable timber products. Large areas of State forest are permanently protected and around one per cent is harvested for timber and regrown annually, with an estimated 40 million seedlings replanted or regrown each year.

Timber is the most renewable building product available, storing carbon for the life of products, using less energy than other alternatives and continually regrowing, and we are expanding our investment in a renewable future by exploring new opportunities for renewable energy production across the estate. NSW is a net importer of timber, and the renewable hardwood and softwood timber products we produce play a critical role in meeting the community's ongoing demand for timber and wood products.

Our forest management is independently certified to the Australian Standard for Sustainable Forest Management, Responsible Wood, and our operations underpin a vital and vibrant renewable timber industry in regional NSW.

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

Our strategic objective is to care, connect and grow for a better future and we value innovation, integrity and the wellbeing of our people and communities, with respect for country, community, customers, suppliers and one another at the forefront of all that we do.

Charter

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

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

a. to be a successful business and, to this end:

  i. to operate at least as efficiently as any comparable businesses

  ii. to maximise the net worth of the State's investment in the Corporation

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

c. where its activities affect the environment, to conduct its operations in compliance with the principles of ecologically sustainable development contained in section 6 (2) of the *Protection of the Environment Administration Act 1991*

d. to contribute towards regional development and decentralisation

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

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

The provisions of section 20E of the SOC Act do not apply to the Corporation.

The principal functions of the Corporation are set out in the Forestry Act as follows:

a. to carry out or authorise the carrying out of forestry operations in accordance with good forestry practice on Crown-timber land or land owned by the Corporation,

b. to take or authorise the taking of forest materials from State forests or land owned by the Corporation,

c. to sell, supply or process timber, forest products or forest materials taken or harvested under paragraph (a) or (b),

d. to establish and maintain plantations,

e. to control and manage, subject to Part 5, forestry areas,

f. subject to the *Rural Fires Act 1997*, to carry out measures on Crown-timber land for the protection from fire of timber and forest products on that land,

g. to grant forestry rights in respect of State forests, timber reserves or land owned by it, including any such right that is for the benefit of the Corporation,

h. to acquire, hold, sell or otherwise deal with or trade in carbon sequestration rights (including for the benefit of other persons).

Board and governance

The Minister responsible for the *Forestry Act 2012* is The Hon. Tara Moriarty MLC, Minister for Agriculture. Under the *Forestry Act 2012*, Forestry Corporation has two voting shareholders, the NSW Treasurer and Minister for Finance, who appoint the Board of Directors.

The board's accountability to its shareholders is set out in its constitution, which is published on the Forestry Corporation website, and the *State Owned Corporations Act 1989*. Shareholders also set out strategic operating guidance in the Statement of Expectations, which is published on the Forestry Corporation website.

As set out in the board charter, the board's main purpose is to run a successful business and build the Corporation's long-term value that will benefit the people of NSW. Strong corporate governance is fundamental to achieving this purpose and strategic objectives.

The board may comprise up to six non-executive directors. All non-executive director positions are skills-based and are considered independent in accordance with the NSW Treasury Guidelines for Governing Boards of Government Businesses.

Board of Directors

- **Ms Stefanie Loader** – Chair, and Chair of People Committee

  BSc Hons (Geology), Grad Cert (Applied Stats) MAIG, GAICD

  Current term: 1 July 2022 – 30 June 2025
- **Ms Mary Verschuer** – Director, and Chair Audit and Risk Committee (until 29 February 2024)

  BApplSc (Chemistry), MSc, MBA, MA, FAICD

  Term: 1 March 2021 – 29 February 2024
- **Mr Matthew Sexton** – Director, and Chair of Safety Committee (until 29 February 2024)

  BCom (Marketing), GAICD

  Term: 1 March 2021 – 29 February 2024
- **Linda Sewell** – Director, and Chair of Audit and Risk Committee (from 29 February 2024)

  BSc (Botany), BCom (Accounting, Finance), GAICD

  Term: 29 November 2021 – 28 November 2024 (resigned on 30 June 2024)
- **Rob de Fégely** AM – Director, and Chair of Safety Committee (from 29 February 2024)

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

  Current term: 1 April 2022 – 31 March 2025

Board committees

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

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

Board and committee meetings

There were nine board meetings and one field visit held during the reporting year. There were four meetings of the Audit and Risk Committee, two meetings of the People Committee, and three meetings of the Safety Committee. The attendance by directors at board and board committee meetings is outlined below.

Member	Board meetings	Audit & Risk Committee meetings	People Committee meetings	Safety Committee meetings
Stefanie Loader	9	4	2	3
Mary Verschuer	6*	3*	2	2*
Matthew Sexton	6*	3*	2	2*
Linda Sewell	9	4	2	3
Rob de Fégely	9	4	2	3
Anshul Chaudhary	9	4	2	3

** Terms ended on 29 February 2024*

Organisational structure

Board of Directors

CEO
Anshul Chaudhary
BCom (Accounting), CA, GAICD

General Manager
Governance and Assurance
Company Secretary
Ross Dickson

BAgSc (Hons), MSc (Plant Science), PhD (Forestry Science), GAICD, Grad Dip AGIA

- Compliance
- Risk management and audit
- Governance and executive support
- Legal services
- Corporate affairs
- Assets and estates
- Strategic fire management and radio services
- Innovation

General Manager
Hardwood Forests
Daniel Tuan

BA

- Native forest stewardship and fire management
- Forest management planning
- Timber harvesting and roading operations
- Ecological surveys and monitoring
- Hardwood plantations
- Hardwood marketing and timber sales

General Manager
Softwood Plantations
Rachel Johnson

BSC Aeronautical Engineering Science, GAICD

- Softwood plantation establishment
- Management and planning
- Harvesting and roads
- Sales and procurement
- Fire and stewardship
- Seedling production

Chief Financial Officer
Katy van Poppel*

BEc, FCA

- Commercial finance
- Information technology
- Mapping and information services
- Financial control
- Tax and treasury
- Strategic planning and analysis
- Fleet management
- Credit control

General Manager
People and Safety
Meredith Payne

BA (Psychology)
DipEd
Post Grad Diploma (HR)

- Human resources
- Health, safety and wellbeing
- Organisational development
- Diversity and inclusion
- Payroll

* *Commenced 23 October 2023*

Strategy

Strategy 2025

Forestry Corporation's purpose is to care, connect and grow for a better future and our strategic goal is to be recognised as a valued forest manager and grow the business in all areas. We are currently implementing our three-year Strategy 2025, which sets out key focus areas that align with the care, connect and grow pillars. Current strategic priorities are summarised on the following page.

Statement of Corporate Intent and Statement of Expectations

Each year, a Statement of Corporate Intent (SCI) is agreed with shareholders that sets out our strategic priorities for the year ahead. This is published on our website and includes financial targets and non-financial targets for safety and environmental management. Performance against the targets in the SCI is summarised in the operations and performance section of this report. Strategic guidance is also provided in the Statement of Expectations issued by the shareholder Ministers and published on the Forestry Corporation website.

STRATEGY 2025

Our strategic goal:

To be recognised as a **VALUED FOREST MANAGER** and **GROW** the business in all areas.

CARE

Halve the number of injuries and eliminate serious injuries by 2025

CONNECT

Reposition the business so the community recognises our delivery of balanced and sustainable outcomes for all

GROW

Grow the value of the hardwood and softwood estates

This will be supported by our enabling strategies of:

- Build an agile workforce
- Secure and simplify our systems
- Embed good governance

Operations and performance

Forest management and community services

This section provides an overview of the key activities and achievements in forest management and community services. Financial aspects of these services are set out in the Financial information section of this report.

At a glance: forest management and community services

Forestry Corporation is appointed to manage State forests for multiple uses, including conservation, cultural heritage, tourism, access for primary production, and renewable timber production. As a land manager, Forestry Corporation has obligations to manage fire, pests and weeds and maintains significant assets for community benefit, including an expansive public road and fire trail network and substantial tourism infrastructure and facilities. State forests are also made available to local farmers and businesses under permit for commercial activities such as grazing and beekeeping.

- 2,376 km of roads repaired
- 720 km of roads reopened
- 35 bridges replaced
- 20 major landslips repaired

Ongoing investment in fire preparedness

Forestry Corporation works collaboratively with other fire agencies to protect life and property, wildlife and the environment, and the State's timber assets from the risk of fire. In consultation with regional Bush Fire Management Committees, hazard reduction burning continues to be prioritised in strategic locations, such as areas near homes and communities. During FY24, conditions allowed for hazard reduction burns to be completed over a larger area than previous years. There is a narrow window each year within which burning can be carried out and wet conditions limit opportunities to carry out strategic hazard reduction burning. Despite the increase, this third consecutive wet year meant prescribed burning remained below target.

Early detection and rapid response are the backbone of Forestry Corporation's fire management framework. The earlier a fire is spotted, the faster a crew can attend and the more likely a fire can be contained. Trained staff scanning for smoke from well-located fire towers with an overview of the forest estate and adjoining landscape continue to be the first line of defence for early fire detection and contribute to effective rapid response. In recognition of the ongoing importance of the fire tower network, a program to assess and upgrade ageing fire towers to ensure they remain safe and fit for purpose commenced during FY24, with upgrades to continue through FY25.

Opportunities to complement staffed fire towers with remote sensing camera technology continue to be investigated as both camera and analysis technology improve. Over the past few years, a cross-agency program has piloted camera technology fitted to the existing fire tower network in pine plantation regions and the Chief Scientist and Engineer have also been engaged. The pilot is ongoing and will continue to trial the available technology, test its effectiveness and investigate how it might support the existing tower network.

Rapid response is underpinned by effective training and maintenance of equipment and strategic access routes. During FY24 substantial investments were made in maintaining strategic fire trails, supported by grant funding from the NSW Rural Fire Service as well as Community Services Obligation funding. Roads in State forests are managed for multiple uses and the network of strategic fire trails is complemented by the extensive network of other forest roads maintained primarily for community access and operational use, but also used for fire management.

During the year, more than 500 staff were available for firefighting, supported by a fleet of vehicles and equipment maintained and available for firefighting. This includes 400 light vehicles equipped for firefighting, 50 fire tankers, 35 heavy plant such as bulldozers, 110 drones, including drones with thermal capability, and 4 contracted aircraft as required. Upgrades to the ageing fire tanker fleet are progressively continuing, with 11 new tankers expected to be delivered in the coming year.

Firefighting is managed collaboratively both locally and internationally, and for a second consecutive year Forestry Corporation firefighters formed part of an Australian contingent deployed to assist with fighting extreme wildfires in Canada and North America. International firefighters provide valuable support to Australia in emergencies, including during the 2019-20 Black Summer Fires, and this support is reciprocated wherever possible.

Continued investment in restoring roads and bridges

Forestry Corporation maintains the largest road network of any public land manager. Forest roads are managed for multiple uses. As well as providing essential access for forest management, timber production and firefighting, forest roads complement the public road network and are regularly used for recreation and as alternative access to private properties and between regional towns.

Extensive flooding across the east coast in recent years has caused substantial damage to roads across all land tenures, including thousands of kilometres of forest roads. Many roads and bridges collapsed and required extensive repair work. A three-year grant for infrastructure repair in areas where natural disaster flooding had been declared was received in FY22. This funding has facilitated the largest program of road repairs and bridge replacements in Forestry Corporation's history.

Construction works under the grant funding peaked in FY24, with major works completed throughout the affected region. From the commencement of the program to 30 June 2024, within the affected native forest estate 3,861 kilometres of roads have been assessed for repair, 1,966 kilometres of roads have been repaired, 720 kilometres of roads have been reopened, 35 bridges have been replaced and 20 major landslips have been repaired. An additional 686 kilometres of road were assessed and 410 kilometres of roads repaired in the affected areas managed by the Softwood Plantations Division.

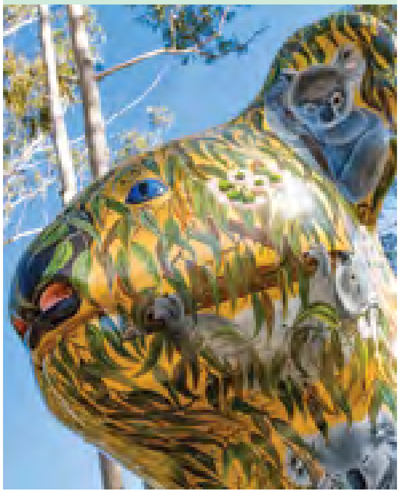
Repairs under the program will continue into FY25, with priority given to restoring washed out roads and impassable bridges in areas with highest community or industry usage.

Delivering unique new tourism experiences

Progress continued to be made on developing major new regional tourism assets within State forests in collaboration with a range of partners including local community groups, Aboriginal groups, tourism providers and the timber industry. New tourism precincts are being developed in Bago State Forest in the snowy valleys and Cowarra State Forest on the mid north coast. With the support of NSW Government grant funding, these unique, nature-based visitor experiences will enhance regional tourism outcomes.

In **Bago State Forest**, a first-of-its-kind sculpture forest was opened during the reporting period. The Bago Sculpture Forest was developed in partnership with Sculpture by the Sea and features artworks by local and international sculptors along forest walking trails. The Bago Sculpture Forest was developed as part of the Bago State Forest tourism precinct, which also includes the Pilot Hill Arboretum, a new Sugar Pine Visitor Area established to replace the iconic stand of Sugar Pine trees lost to the 2019–20 fires, and a Wellness Walk developed with Naturefix and Murrumbidgee Health to enhance the proven health and wellbeing benefits of spending time in nature or green spaces. The precinct will be further enhanced during FY25 with upgrades to key camping areas and horse riding facilities.

In **Cowarra State Forest**, construction continued on the Guulabaa – Place of Koala precinct. The site has been progressively opened, with an accessible high nets experience and The Big Koala sculpture, part of the region's Hello Koalas Sculpture Trail, already drawing visitors. When completed, Guulabaa will also feature a social enterprise café and gallery run by Bunyah Local Aboriginal Land Council, an outdoor amphitheatre, and the world's first Wild Koala Breeding Facility developed by Koala Conservation Australia. The precinct centrepiece is the architect-designed The Hub, constructed with locally-grown hardwood timbers, receiving an international design award during the reporting period for its use of renewable timber, Aboriginal knowledge and community-based architecture.



In **Mogo State Forest**, construction continued on approximately 90 kilometres of new mountain bike trails developed and managed under a forest permit with Eurobodalla Shire Council. Mogo Trails will be a cornerstone of the proposed Mogo Regional Tourism Precinct to be developed in the coming years. A range of community stakeholders including Aboriginal community representatives, local Government and tourism representatives have been brought together to commence master planning, informed by the success of partner-led precincts already established in State forests.

These enhanced tourism destinations complement the extensive recreation facilities including picnic areas, camping grounds, nature playgrounds, walking tracks and mountain biking trails, that continue to be maintained and used by millions of visitors a year across the State forest estate.

The two-million-hectare State forest estate is available for free community access as well as major events and tourism facilities managed under permit. Community use during the year included horse riding, trail bike riding, four wheel driving, dog walking, bird watching, bush walking, swimming, fishing, fossicking, foraging, and hunting. Events held under permit included scout camps, dog sledding events, car rallies, foraging tours, mountain biking events, and fun runs. Facilities managed under permit included accommodation, cafés, pony clubs, high ropes courses, paintball facilities, archery and shooting ranges, and mountain biking infrastructure. Continued investment is required to maintain the free community facilities across the forest estate.

Conservation, monitoring and habitat enhancement

A substantial proportion of the State forest estate is managed solely for conservation. Monitoring, conservation, pest and weed control, and habitat enhancement activities take place across the entire estate.

Many long-term monitoring programs have been in place for decades and continued to provide important recovery data for forests impacted by the Black Summer fires and the severe drought in the preceding years. Monitoring programs continued to show strong recovery among many small mammals in fire-affected forests including potoroos, quolls, bandicoots and the Hastings River mouse. The comprehensive Coastal Integrated Forestry Operations Approval monitoring program entered its second year, with monitoring across 600 sites producing vast amounts of data that will further improve understanding of species occupancy across coastal native forests.

New methods were also trialled to search for southern greater glider dens using thermal drones. Changes to the regulations around southern greater gliders were made during the year requiring spotlight transects to be conducted and data recorded during these surveys will continue to be recorded and reported.

Solid monitoring data has underpinned several successfully translocation programs in previous years, where stable source populations in State forests have contributed to repopulating other areas off State forest. During the year a milestone was reached in a translocation project involving the southern stuttering frog (*Mixophyes australis*) that sourced frogs from a stable population within a State forest near Gloucester in FY22 to establish a captive breeding population. The first frogs bred under the program were released into previously occupied habitat on the south coast during the year. The species was regarded as extinct on the south coast due to chytrid fungus, which attacks the skin of a frog, and projects like this make an important contribution to recovery. Habitat for a range of frog species is also being enhanced by the establishment of breeding ponds in State forests on the north coast.

A seed collection program was also completed in the Alpine Ash and White Ash forests in southern NSW to build a seed bank to protect the species from the risk of future wildfires. These species are obligate seeders meaning the trees die after exposure to fire, even where the fires are not hot or intense, and the species regenerate in large numbers from seeds stored in soil or the tree canopy. The Black Summer fires disproportionately impacted the southern part of NSW where Ash forests are found, and the seed bank has been established to provide insurance for these species in case the regenerating forests are impacted by another wildfire before they reach maturity.

Conservation programs are supported by ongoing pest and weed control programs, which are carried out across the landscape in partnership with regional pest and weed committees. Forestry Corporation also continues to support enhancement of koala habitat on private land by donating eucalyptus seedlings to community groups. Between 25,000 and 50,000 high quality seedlings in preferred koala species have been donated to community groups each year since 2018 to support enrichment and improvement of habitat, complementing the habitat maintained within State forests.

More detailed data is published in the **Sustainability Report**

Softwood Plantations Division

This section provides an overview of the key activities and achievements of the Softwood Plantations Division during the reporting period. The division's financial performance is set out in the Financial Information section of this report.

Softwood Plantations Division at a glance

The Softwood Plantations Division manages the largest commercial timber plantation estate in NSW, comprising approximately 230,000 hectares of predominately radiata pine, as well as southern and hoop pine. These plantations are spread between the Victorian and Queensland borders but are predominately concentrated around processing hubs in Bathurst and Oberon in the Central West and Tumut and Tumbarumba on the south west slopes, with smaller but notable assets around Bombala, Grafton and Walcha.

The primary products from these plantations are high quality sawlogs, which are processed into structural lumber for applications such as house frames, and industrial and pulp quality products, which are processed into goods ranging from medium density fibreboard to packaging products.

All State forests are managed for multiple uses and the division also manages conservation, tourism facilities, community access, fire management and pest and weed services. These activities are summarised for both operating divisions in the previous section on forest management and community services.

Key statistics

Area managed:

- Approximately 350,000 hectares of forest, including 230,000 hectares of softwood plantations – an area approximately the size of the ACT and adjoining natural forest.

Key supply zones:

- Bathurst / Oberon, Tumut / Tumbarumba, Bombala, Grafton, Walcha / Nundle.

Primary products:

- Around 1.8 million cubic metres of high quality softwood products – enough to build 40,000 homes a year.
- 1.3 million cubic metres of lower grade softwood products supplied annually to around 20 customers in regional NSW.

Decline in new housing construction impacts sales

Demand for high quality softwood timber continued to be depressed during FY24 on the back of a reduction in construction of new homes. High quality softwood sawlogs are predominately used in house framing and, after several years of strong housing starts, housing industry data shows new builds in NSW have declined to a ten-year low.

Timber sales are the division's primary source of revenue and the market conditions were reflected in lower production and normalised earnings. Strong unit prices and responsible measures to reduce operational costs softened the impact on normalised earnings, but while financial performance slightly improved against FY23, results remained well below earlier periods.

Expenditure control measures included deferral of some replanting to future years, which was made possible due to record planting and seedling survival rates achieved in the past few years. The division had accelerated re-establishment works following the widespread impact of the Black Summer fires. More than 50 million seedlings were planted over three years, which is around 10 million more than during the total number planted in the three years prior to the fires. While fewer areas were re-established during FY24, seedling production remained above average and plantations continued to be re-established at an accelerated rate.

Although current timber sales have been suppressed by lower housing starts, demand for new housing remains strong due to ongoing population growth and government focus on increasing the housing supply. Structural softwood timber underpins housing construction and the long-term outlook for demand for softwood products is positive. The division can grow enough timber to build more than 40,000 new homes a year, which is equivalent to all the homes in Bathurst, Orange and Oberon combined, and is well placed to return to peak production once market demand recovers.

New land purchases to increase long-term supply

The division has continued to identify and assess opportunities to expand the plantation estate with strategic land purchases. Approximately 6,500 hectares of land was purchased during the reporting period in areas near existing softwood plantations in the Central West and South West Slopes. The purchased land includes both established plantation and bare land that will be planted to softwood plantation to expand the available future timber resource. Additional Commonwealth grant funding has been received to offset the upfront cost of establishing new plantations on some of the unplanted land.

Softwood plantations are managed as a long-term resource and while demand during the period was low, the additions to the plantation estate will boost capacity to grow and supply essential softwood products for future generations. In addition, any potential renewable energy projects will require two hectares of new plantation to be established to replace every hectare impacted by a development. The newly-acquired land is well located to existing timber markets and could be suitable replacement land if renewable energy projects in these locations prove viable and are approved for construction in the coming years.

> Approximately 6,500 hectares of land was purchased during the reporting period.

Next stage for renewable energy

As well as being an essential source of renewable timber, the state-owned softwood plantation estate has enormous potential to host new renewable energy infrastructure. With existing roads and access to transmission infrastructure, contiguous tracts of land and windy locations away from residential areas, plantations are particularly well suited to wind turbines, which can be situated within and around plantation trees. In FY22, the NSW Parliament amended the *Forestry Act* to expressly enable renewable energy projects in pine plantations and over the past two reporting periods, a competitive market process was held to identify suitable proponents and locations for further investigation.

During FY24, five investigation permits were granted for four locations within softwood plantations in the Central West and South West Slopes regions. This is a significant milestone and signals the beginning of a consultation, investigation and planning process that could ultimately deliver substantial new renewable energy to the NSW community.

Permit holders are expected to take several years to complete detailed studies and community engagement to determine whether projects could be viable and develop proposals for assessment and planning approval. While investigations are only in their infancy, renewable energy from wind farms offers the potential to complement renewable timber production from the same land base. This will also align with Government initiatives to decrease carbon emissions and shift towards a renewable energy supply.

More detailed data is published in the **Sustainability Report**

Hardwood Forests Division

This section provides an overview of the key activities and achievements of the Hardwood Forests Division during the reporting period. The division's financial performance is set out in the Financial Information section of this report.

Hardwood Forests Division at a glance

The Hardwood Forests Division manages coastal native forests, cypress forests, red gum forests and hardwood timber plantations. The primary timber products from native forests and hardwood plantations are high quality hardwood sawlogs, which are processed into products such as flooring, power poles, structural timbers and marine piles and low quality or pulp products, which are processed into goods ranging from pallets to palings, panels and firewood for affordable home heating. Native forestry is always selective, with an average 40 per cent of every harvest area set aside for environmental and more than 120,000 individual trees marked and protected every year. All State forests are managed for multiple uses and the division also manages conservation, tourism facilities, community access, fire management and pest and weed services. These activities are summarised for both operating divisions in the forest management and community services section earlier in this report.

Key statistics

Area managed:

- Approximately 1.8 million hectares of multiple-use native forest and 34,000 hectares of hardwood plantations

Key supply zones:

- North coast, south coast and western NSW Riverina and Pilliga regions

Primary products:

- Around 750,000 cubic metres of sawlog, specialty timbers and lower grade timbers supplied annually to more than 100 customers in regional NSW.

Regulatory changes and legal challenges

Legal challenges and regulatory changes had a substantial impact on production and financial performance. Disruptions to operations reduced revenue due to lower timber production and sales, and also introduced additional costs including legal fees, stand-down payments and expenses associated with redoing or carrying out additional planning, roading or other preparatory works.

Notable regulatory changes related to management of koalas and southern greater gliders. During the reporting period the NSW Government announced that timber harvesting would be excluded from koala hubs within the area for assessment for the Great Koala National Park. Harvest plans in the area were reviewed and revised to implement this change and approximately 12,000 hectares of forest on the north coast have been removed from the area available for timber production.

Protocol amendments and site-specific biodiversity conditions for southern greater gliders were also introduced and subsequently amended. The changes followed extended stop work orders on operations in the south of the state and included the introduction of new search and survey requirements and additional exclusions. The amendments necessitated revision of operating procedures, review and amendment of plans, completion of extra training and additional surveys, as well as new equipment and reporting. Many operations were required to stand down while the new conditions were embedded.

Operations were also disrupted by protests in some parts of the state as well as applications for injunction lodged with the courts by community groups. The resolution of legal matters raised by the community has been protracted but essential to clarify. During the reporting period, a challenge to the North East Regional Forest Agreement filed in 2021 was dismissed by the High Court.

Two proceedings, including applications for injunction, against north coast operations that had been filed in 2021 and early 2022 were dismissed by the Land and Environment Court just after the end of the reporting period and the time for appeal has now lapsed. A substantially identical challenge was commenced against two different north coast operations in July 2023, with judgment handed down in Forestry Corporation's favour in November 2023 and no appeal filed. A fourth substantially identical challenge was subsequently withdrawn. The operations subject to the proceedings were voluntarily suspended while these matters were resolved.

In January an application for injunction was filed in the Land and Environment Court against seven operations together with applications for civil enforcement by an environmental group. The proceeding is the subject of an appeal to the High Court of Australia and will be heard by the High Court in FY25.

In plantation operations, the process for assessing unique and special wildlife values was amended, which delayed some plantation operations. These values continue to be identified and assessed during the planning process, and additional assessments are now carried out by the plantation regulator.

Weather conditions add to disruptions

Ongoing poor weather further disrupted timber production. Protracted flooding has prevented the harvest of timber from some forests in the western region for up to 15 months, while other parts of western NSW were impacted by a more active fire season. Coastal forests were also subject to high rainfall, which limited access and operations in line with environmental regulations. The impact of wet conditions in the coastal region was exacerbated by the fact that natural disaster flooding events have occurred in this region in each of the three previous years. Operations in many areas suitable to harvest in wetter conditions had been brought forward in previous periods, resulting in reduced operational flexibility and timber production this year.

Timber supply impacts

The conditions set out above and the cumulative impact of the challenging operating environment in previous years prevented the division from meeting its timber supply commitments during the reporting period. Forestry Corporation has contractual obligations to supply minimum volumes of timber and has invoked the force majeure provisions within these contracts on the basis that it has been prevented from meeting these obligations. It is anticipated that many of these challenges will continue into FY25 and the division is continuing to work with customers to manage supply.

Regulatory actions taken for non-compliance

Regulatory actions for several non-compliances that occurred in earlier periods were completed during FY24. These included a conviction for breaches of the Coastal Integrated Forestry Operations Approval (CIFOA) in Mogo State Forest in 2020 and penalties for CIFOA breaches in Bagawa and Nadgee State Forests. After the period but prior to publication, convictions were also recorded in relation to breaches of the CIFOA in Yambulla State Forest in 2020.

An Enforceable Undertaking was also entered into following self-reported CIFOA breaches in 2021. Forestry Corporation entered into an enforcable undertaking with the EPA after one of its contractors harvested 17 trees from riparian exclusion zones in Coopernook State Forest in December 2021. In consultation with the Environment Protection Authority, a $500,000 program of projects was developed to compensate for the damage caused. The investments will deliver tangible environmental and community benefits and include a project to protect threatened frog species, improved community tourism facilities in the forest, enhanced website information and development and testing of a first-of-its-kind in-cab boundary warning system. The projects will all be completed in FY25.

Adhering to the environmental regulations is essential and any breach is unacceptable. Compliance improvement has been a focus over the past few years, with considerable investments made in increasing frontline staff, enhancing technology and reviewing systems and processes to prevent breaches. In June 2023, the NSW Audit Office completed an audit into the regulation of public native forestry and their recommendations are being implemented. Proactive auditing and reporting is being enhanced and any non-compliance is investigated in detail to identify the cause and ensure it is not repeated. Continuous improvement is the cornerstone of our Forest Management System and work to improve compliance will be ongoing.

Sustainable yield review and future outlook

Detailed models have been developed, reviewed and enhanced over many years to forecast supply over a 100-year period and ensure timber production volumes remain responsible. Modelling multi-aged mixed-species forests is complex and forecasts are reconciled and reviewed to ensure production does not exceed the sustainable yield. An interim review was completed immediately after the Black Summer fires to update the forecasts drawing on fire severity data, timber recovery studies and regeneration assessments. A comprehensive five-year review is scheduled for completion in the 2024 calendar year. During the reporting period, detailed on-ground measurements and assessments were completed in strategic inventory plots and permanent growth plots throughout the native forest estate to inform this review. The review will incorporate assessments of post-fire recovery, tree growth and changes to regulatory conditions and available supply area. The updated sustainable yield models will be published during FY25.

The NSW Government has committed to establishing a Great Koala National Park on the north coast and has commenced a detailed assessment and consultation process prior to establishing the park. In addition, after the end of the reporting period the NSW Government announced the establishment of an Independent Forestry Panel to lead consultation on a Forestry Industry Action Plan to ensure a sustainable timber industry. Forestry Corporation is committed to sustainable timber supply and will work with the Government to implement directions in relation to its commitments.

> Forestry Corporation is committed to sustainable timber supply and will work with the Government to implement directions.

More detailed data is published in the **Sustainability Report**

Research and development

Forestry Corporation conducts a wide range of research, development and environmental monitoring each year, funded through direct investment and collaborative partnerships with other organisations such as industry groups and fire management bodies, as well as via a service level agreement with the Department of Primary Industries (DPI) Forest Science Branch that is partly funded by the annual community services obligation grant.

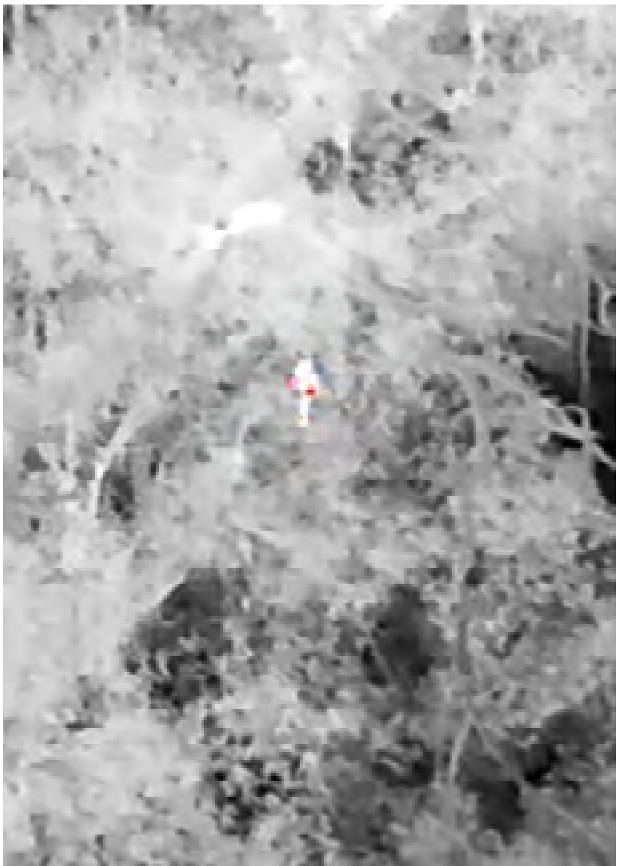
Over the reporting period, work continued on more than 20 ongoing monitoring programs and 17 active research programs, and the annual aerial plantation health surveillance was again completed. The full range of research and development and environmental monitoring projects is summarised in the Sustainability Report.

Key research and development highlights in FY24 included promising applications of technology to enhance species monitoring and environmental management, and investigation of remote sensing technology in fire management.

During the reporting period, trials were conducted to assess the effectiveness and reliability of thermal drone technology in surveying for greater gliders in forests. Over the past few years, the quality of thermal cameras and application of drone technology to forest management has increased dramatically, while the size and cost have reduced. The fleet of thermal drones has been expanded to take advantage of the new technology and the initial trials provided positive indications about the effectiveness of smaller drones with enhanced thermal imaging.

More than 150 Forestry Corporation staff are trained and accredited by the Civil Aviation Safety Authority as drone pilots, and while all accredited pilots can fly the smaller thermal drones in daylight, additional accreditation is required to operate drones after dark. Drones have been an important tool in fire management and monitoring for many years and the smaller thermal drones will improve current thermal imaging practices used for fire management. As additional ecologists gain pilot accreditation, investigations will continue into how the technology can complement or enhance nocturnal fauna surveys.

Right: Photo of greater glider identified with thermal drone - glider is visible in the centre of the image.



Extensive and long-term wildlife surveys and monitoring programs continued throughout the period and the DPI Forest Research Branch published two papers summarising research data collected from State forests, including a paper on koala occupancy informed by acoustic monitoring, and a paper on the use of harvested forests by koalas, informed by radio tracking data.

The MapApp interface developed by Forestry Corporation to streamline collection of data, harvest planning and compliance monitoring also continued to be enhanced. Development of a new in-cab boundary monitoring and alert interface commenced during the reporting period as part of an enforceable undertaking with the Environment Protection Authority after 17 trees were harvested by a contractor in Coopernook State Forest in December 2021. The system will use high-accuracy Global Navigation Satellite System (GPS) units that incorporate satellite-based data within harvesters and provide alerts for operators into the MapApp interface to drive compliance improvements.

Research into the application of remote sensing technology in fire management continued to deliver promising outcomes. In addition to the smoke detection trials referenced in the land management section of this report, research continued into the effectiveness of different technology for collecting and transmitting data on soil moisture, fuel moisture and weather from equipment installed in remote sites. Remote data collection has the potential to increase efficiency of fire management planning and operations and maximise opportunities for hazard reduction burning in remote locations. Further work will be done to develop more portable technology. The collection of weather and moisture data will also deliver other benefits including informing ecological and environmental management.

Research and development is also continuing to inform safety management, with a project assessing the risks associated with multiple in-cab warning devices for heavy vehicle drivers continuing during the period. The project will include assessing anonymised historical incident data and engagement with drivers to inform the development of potential new strategies to improve the safety of heavy vehicle operations.

- >150 staff accredited as drone pilots
- 17 active research and development projects
- More than 20 ongoing environmental monitoring programs
- Annual plantation health surveillance completed

More detailed data is published in the **Sustainability Report**

Financial summary

Performance against Statement of Corporate Intent

Timber sales for the year ended 30 June 2024 were well below expectations due to a continued depression in the softwood timber market and a combination of operational challenges in hardwood forests. The majority of Forestry Corporation's income is derived from timber sales and the financial results for the period reflect the slump in the housing construction market and the difficult operating conditions detailed in the divisional overviews earlier in this report.

While total comprehensive income was higher than the previous year at $136 million (FY23: $57 million), this figure includes asset revaluations, fair value movements and actuarial changes. Normalised earnings[2] are used for management purposes to evaluate the underlying financial position. Forestry Corporation creates a financial plan each year in its Statement of Corporate Intent (SCI) that sets out its key financial targets. Revenue[1] was marginally higher than the previous period at $394 million (FY23: $383 million) but remained below SCI expectations, while expenses increased to $406 million (FY23: $385 million). As a result, normalised earnings for the period were well below SCI targets at -$9 million (FY23: $3 million).

Key SCI targets are provided in the tables overleaf. These tables also report financial results for each of the operating divisions. This breakdown is provided for information purposes only and the figures are unaudited.

Key statistics

Comprehensive income
$136 m

Revenue[1]
$394 m

Normalised earnings[2]
($9 m)

Softwood Plantations Division

Notwithstanding the market challenges set out in the previous section, the division returned positive normalised earnings, thanks to expenditure control measures. Revenue was marginally higher at $257 million (FY23: $246 million). Normalised earnings also increased to $22 million (FY23: $19 million).

Renewable energy projects are only permissible within softwood plantations. However for reporting purposes, the renewable energy program has been reported separately in the tables overleaf. Expenses associated with the program were primarily the one-off permit establishment costs, including legal and consultant costs associated with completing a tender process and establishing appropriate permits for the first-ever investigation of potential renewable energy projects within softwood plantations. Revenue associated with these permits is expected to more than offset these upfront costs and will be recorded in future years.

Key statistics

Revenue[1]
$257 m

Normalised earnings[2]
$22 m

1 Revenue includes other income and interest.

2 Normalised earnings excludes significant items such as fair value movements, asset impairments and defined benefit actuarial movements and is unaudited.

Hardwood Forests Division

The Hardwood Forests Division manages more than 90 per cent of the State forest estate and incurs substantially more land management costs than the Softwood Plantations Division. Land management expenditure is only partially covered by grant funding, which includes community services obligation funding to compensate for the delivery of services that a similar commercial business would not provide. Expenditure on land management increased to $60 million during the period (FY23: $51 million), primarily due to the Forest Infrastructure Repair Program projects. Expenditure under this program peaked in FY24, as more projects were able to commence following the completion of planning, environmental assessments and procurement carried out in earlier periods. Following several years of milder fire conditions, expenditure on firefighting was also higher during FY24.

The challenges impacting the Hardwood Forests Division were substantial and had a direct impact on financial performance. The division was prevented from producing contracted volumes of timber and as a result revenue from timber and extractive resources reduced to $89 million (FY23: $94 million). Expenses associated with legal fees and standdowns increased and additional costs were incurred in tree marking, surveys and revising plans following regulatory changes. As a result, normalised earnings from timber and extractive resources fell to -$6 million (FY23: -$2 million), and once land management expenses were included the division's normalised earnings were -$29 million (FY23: -$15 million).

Capital and shareholder return

Due to the substantial impact the challenging external conditions have had on the overall financial position, no dividend was declared for FY24. The $13.5 million dividend declared for FY23 was paid during the reporting period.

Balance sheet

Cash reserves were reduced by significant land purchases during the year. A total of $92 million was invested in acquiring around 6,500 hectares of land in strategic locations for addition to the plantation estate. Cash flow was also impacted by the payment of the $13.5 million dividend declared for FY23 during the reporting period. Borrowings increased to $70 million (FY23: $50 million) to bolster the cash reserves. Expanding the plantation estate is a long-term investment and the short-term impact on the cash position will be outweighed by the benefits this land will deliver to ongoing timber security and future financial returns.

The land purchases also benefitted the value of the biological assets, which was 25 per cent higher than the previous year. The increase was primarily due to a revaluation, and partially attributed to the addition of established plantations to the managed estate. The unplanted land acquired during the period will progressively be planted to timber plantations over the coming years, which will be reflected in future periods. Nursery production and inventories increased to deliver the additional seedlings required.

Property plant and equipment also increased in part due to the additions to the land estate, with other significant items including the continued replacement of ageing vehicles with updated and fit-for-purpose fleet, office fit-outs and capitalisation of roads and bridges built under the grant-funded Forest Infrastructure Repair Program.

Key statistics

↓ Revenue[1]
$128 m

↓ Normalised earnings[2]
($29 m)

↑ Investment in land management
$60 m

Financial highlights

Division financial results

Year ended 30 June ($ millions)	FY20	FY21	FY22	FY23	FY24
Softwood Plantations					
Revenue[1]	301	300	264	246	257
Normalised earnings[2]	59	47	19	19	22
Renewable energy					
Revenue[1]	–	–	–	–	1
Normalised earnings[2]	–	–	–	–	(1)
Hardwood Forests					
Timber & Extractive Resources:					
Revenue[1]	91	73	84	94	89
Normalised earnings[2]	13	0	4	(2)	(6)
Land Management:					
Revenue[1]	30	16	19	35	40
Normalised earnings[2]	(13)	(20)	(12)	(13)	(23)
Total Hardwood Forests:					
Revenue[1]	121	89	103	129	128
Normalised earnings[2]	0	(20)	(8)	(15)	(29)

FY24 Divisional breakdown ($ millions)

	Softwood	Renewables	Hardwood[3]		Corporate	Total
			Timber & Extractive Resources	Land Management		
Revenue[1]	257	1	89	40	8	394
Normalised earnings[2]	22	(1)	(6)	(23)	0	(9)

Key financial data

		FY20	FY21	FY22	FY23	FY24	2024 SCI targets: SCI	2024 SCI targets: Variance
Year ended 30 June								
Revenue[1]	$m	428	396	373	383	394	418	(23)
Normalised earnings[2]	$m	60	27	38	3	(9)	8	(17)
Dividend payable	$m	0	0	0.4	13	0	2	(2)
Borrowings	$m	86	86	64	50	70	50	20
Biological assets[4]	$m	1,444	1,471	1,471	1,543	1,817	1,543	274
Key ratios								
Return on equity	%	4.5	2.0	2.7	0.2	(0.6)	0.5	(1.1)
Normalised earnings[2] margin	%	14.0	6.9	10.2	0.8	(2.3)	1.9	(4.1)
Liquidity ratio	times	2.3	2.1	2.1	1.5	0.7	1.0	(0.3)
Gross debt to normalised earnings before depreciation and amortisation	times	1.2	2.3	1.3	3.8	23.9	2.7	21.3
Interest cover	times	11.2	6.2	10.0	1.2	3.8	2.0	(5.9)

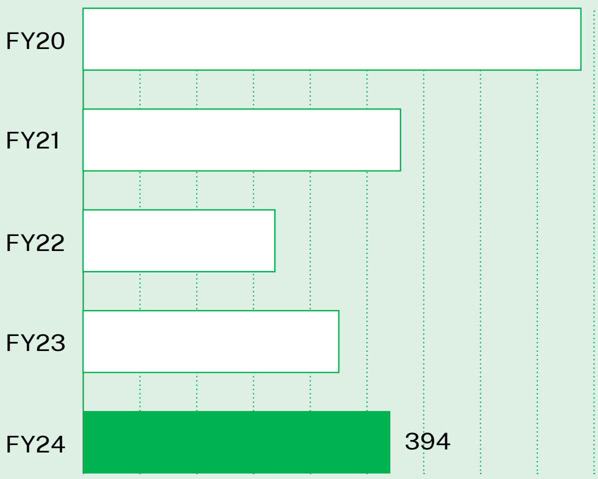
1 Revenue includes other income and interest.
2 Normalised earnings excludes significant items such as fair value movements, asset impairments and defined benefit actuarial movements and is unaudited.
3 The breakdown within the Hardwood Forests Division is provided for information purposes only and is unaudited, the division is managed and assessed as a single Cash Generating Unit.
4 Valuation using the new methodology applied from FY20 including softwood plantation trees, land and roads.

Reconciliation of normalised earnings to statutory results ($ millions)

	2020	2021	2022	2023	2024
Total Comprehensive Income / (Loss) per the financial statements	(213)	18	81	57	136
Impact of actuarial assessment on the defined benefit superannuation liabilities (net of tax)	(6)	(15)	(22)	(7)	2
Impact of valuation of standing timber (net of tax)	242	50	91	(2)	(96)
Impact of revaluation and related impairment of property, plant and equipment (net of tax)	13	(38)	(126)	(48)	(50)
Normalised earnings[2] after tax	36	15	24	0	(8)
Interest and tax on normalised earnings[2]	24	13	14	3	(1)
Normalised earnings[2]	60	27	38	3	(9)

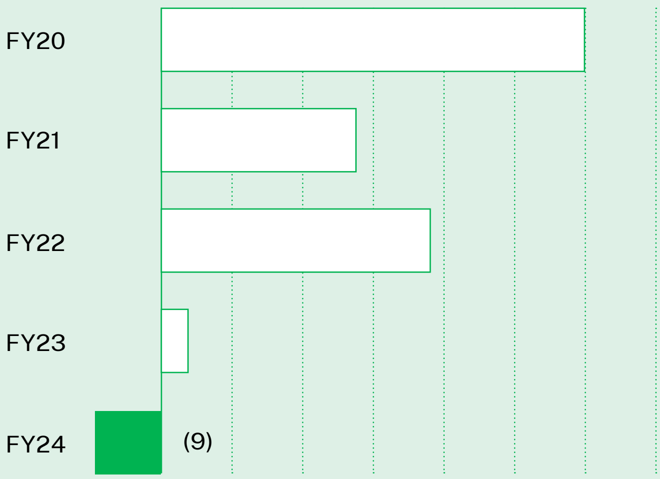
Revenue[1] ($m)

$394 m



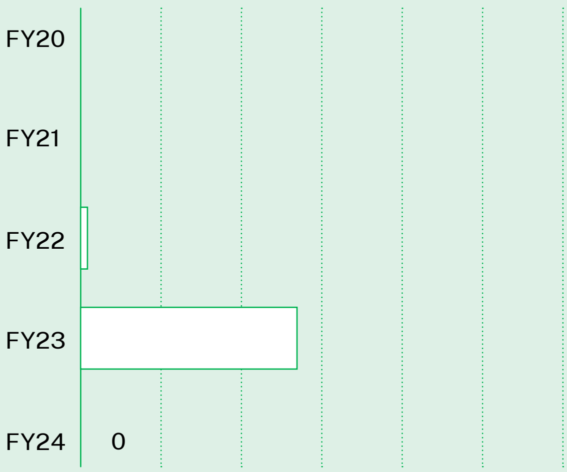
Normalised earnings[2] ($m)

$(9)m



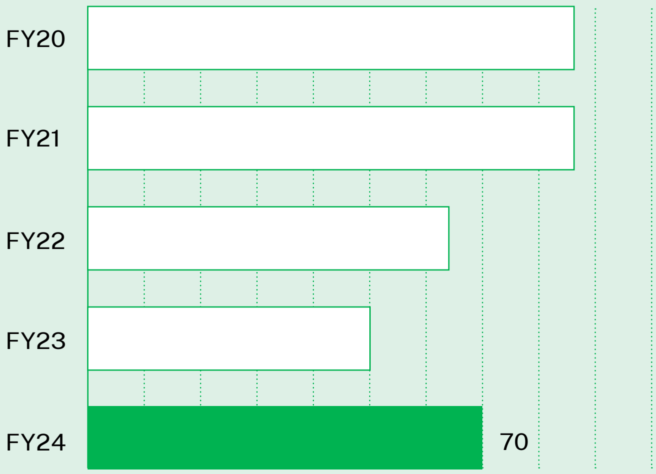
Dividend payable ($m)

$0 m



Borrowings ($m)

$70 m



1 Revenue includes other income and interest.

2 Normalised earnings excludes significant items such as fair value movements, asset impairments and defined benefit actuarial movements and is unaudited.

Management and Accountability

Human resources

Employee numbers – trend (full-time equivalent)

Year ended 30 June	Office-based	Field-based	Total
2021	317	232	549
2022	331	231	562
2023	367	245	612
2024*	386	224	610

**At final pay period 16 June 2024*

Average remuneration of senior executives ($)

Band	FY23	FY24
Band 4 or above	551,989	553,500
Band 3	-	371,944
Band 2	320,163	313,941
Band 1	279,491	280,500

Includes partial year remuneration reflecting personnel changes in the reported period

Approximately three per cent (FY23: 3%) of total employee-related expenditure during the reporting year related to senior executives

Consultants

Over $50,000 per engagement

Vendor	Nature of work	Total ($)
Clayton Utz	Renewable energy	2,145,310
KPMG	Renewable energy	1,071,049
BID Energy	Renewable energy	96,700
		3,313,059

$50,000 or less (per engagement)

	Total ($)
Number of engagements = 2	71,418

Overseas visits

- Company Secretary Dr Ross Dickson travelled to New Zealand in August 2023 to attend meetings of the Radiata Pine Breeding Company (RPBC). Dr Dickson is Chair of the RPBC requiring him to travel to New Zealand to chair meetings and attend technical meetings. Forestry Corporation is a major shareholder of the RPBC.
- In October 2023 two staff members attended the Global Woodchip and Biomass Trade Conference held in Singapore and associated post-conference field trip to Thailand. The conference offered contemporary understanding of international pulp and biomass markets which will be used for managing forestry operations and developing future strategies.
- In August 2023 two staff members travelled to the United Kingdom to visit wind farms operating in forests in Wales and Scotland. As Forestry Corporation was undertaking a commercial process to develop wind energy within State-owned pine plantations, the visit assisted in gaining a greater understanding of forest-based wind farm operations and to inform decision-making processes.

- Six Forestry Corporation staff formed part of Australian and New Zealand deployments to fight wildfires in Canada and the United States of America. Australia deploys staff with firefighting skills and experience to assist in international emergencies. These firefighting deployments were coordinated by the NSW Rural Fire Service.

Legislation and legal matters

There were no changes in the legislation under which Forestry Corporation operates during the reporting period. Regulatory changes, legal challenges in relation to regulatory matters and regulatory actions considered by the courts are summarised in the Hardwood Forests Division overview.

Risk management

Forestry Corporation's Board has an Audit and Risk Committee established under a Board-approved internal audit charter. Forestry Corporation's risk management framework is aligned to the State-Owned Corporation requirements set out in the NSW Treasury Policy and Guidelines Paper 20-08, and Australian/New Zealand Standard Risk Management Guidelines (AS/NZS ISO 31000:2018 Risk Management). The Audit and Risk Manager prepares an internal audit plan, linked to Forestry Corporation's risks. The plan is approved by the Audit and Risk Committee and audits are undertaken by independent external service providers. Audit reports and any required remedial actions are reviewed by the Audit and Risk Committee. Three internal audits were completed during the year, covering Forestry Corporation's procedures for fire preparedness, Chain of Responsibility, and a review of how staff are undertaking risk management within a safety context. At the end of the financial year, an audit on the effectiveness of Forestry Corporation's revenue safeguards was underway. The audit plan was approved by the Audit and Risk Committee of the Board in July 2023.

Forestry Corporation implements a risk management framework which allocates the responsibility for risk management and includes a defined criteria for the assessment of likelihood and the consequence of different risk types within a risk assessment matrix. Risk management software enables consistent reporting, assessment of incidents and hazards, risk identification, follow up of audit actions and risk mitigation measures.

Reviews of Forestry Corporation's risks are incorporated into the design and operation of the risk management framework. Business-wide (or enterprise) risks are assessed by the executive leadership team annually before being submitted to the Audit and Risk Committee for review and approval. Risk is dynamic and subject to change. Key enterprise risks at the time of reporting, and the management strategies put in place to address them, are outlined in this section.

A fatality, serious injury or significant incident

Forestry Corporation's Health and Safety Management System is risk-based and includes flexible risk-specific compliance guidelines. An active program of safety communication is used to build awareness, promote accountability and foster compliance. An improved incident reporting system provides for timely notification and investigation of hazards and incidents.

Forestry Corporation also plays an active role in safety leadership in the industry as part of the Australian Forest Products Association's national industry council on safety and participates in industry forums to maintain best practice. A review of our harvest and haulage contractors' adherence to the industry's Safe and Skilled initiative was completed in FY24.

Environmental and regulatory

Forestry Corporation has a series of measures in place to assure compliance with environmental regulations. Staff and contractors are trained in a wide range of complex regulatory requirements and procedural information within the Forest Management System provides appropriate direction. Investments are continually made in developing and implementing leading-edge technology solutions to enhance oversight and compliance, including satellite-based mapping systems that are mounted in equipment to guide operators and track compliance and increasing use of drone technology to complement on-ground work. A proactive monitoring, quality assurance and audit program targets high risk activities, while a Compliance Assurance Team provides an additional level of oversight. Compliance with regulations is independently externally audited and any incidents or near misses identified by the internal or external audit programs are investigated and analysed to contribute to a continuous improvement cycle.

Widespread, ongoing bushfires

Forestry Corporation maintains high levels of fire planning, preparedness and suppression capacity. Risk mitigation strategies include early detection through a network of fire towers, patrols on high fire danger days, integrated communications, technical applications such as a lightning strike detection system, and use of satellite infrared imagery and drone technology. Staff are trained to an appropriate standard and are available for deployment across the State. Forestry Corporation implements a hazard reduction burning program as well as grazing activities to minimise fuel loads and maintains an extensive network of roads and fire trails. Works are planned and prioritised in collaboration with other land managers and the NSW Rural Fire Service.

Biological incursion

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

Climate variability

Silvicultural programs can support the maintenance of forest health, alongside other management activities. Where plantations are damaged through wind, snow, drought or fire, Forestry Corporation maintains the ability to act swiftly and these areas are salvaged. The ability to repair roads and other infrastructure damaged by storms is critical to maintaining access to the forest estate for forest management purposes and also allows for fire protection activities.

Supply commitments

Forestry Corporation undertakes a range of activities, from long and medium term planning through to an assessment of operational requirements, forest health surveys and strategic fire planning to ensure timber stocks are maintained within forests and commitments to customers are met. Contracts also contain force majeure provisions.

Data security

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

Fraudulent activity

A series of protocols are in place to ensure an appropriate level of oversight. Clear reporting lines and separation of duties, as well as preventative and detective features inbuilt in the configuration of systems, help to ensure this risk is addressed.

Workforce capability

Forestry Corporation has a number of programs in place to ensure it is well placed to attract staff, develop existing staff and allow for succession planning.

Cyber security attestation

Governance is in place to manage the cyber security maturity and initiatives of Forestry Corporation. Risks to the information and systems of Forestry Corporation have been assessed and are managed. Forestry Corporation is implementing the following to continuously improve the management of cyber security governance and resilience:

- Forestry Corporation has developed and is implementing a comprehensive cyber security transformation strategy based on zero trust architecture, enhancing security across the organisation. This includes the enforcement of restricted administrator privileges, jump box administration, and password-less authentication mechanisms for critical accounts.
- A cyber security awareness strategy is in place focusing on security training, phishing campaigns, bulletins, and weekly updates to increase security awareness among employees.
- Ongoing security improvement projects are advancing the maturity level across several Australian Cyber Security Centre Essential Eight domains, with updated policies, processes, and procedures being implemented to strengthen cyber security.
- Network operations and security are undergoing significant upgrades targeting the implementation of a network-hardened baseline.
- A centralised patch and vulnerability management solution is being implemented for all managed internal assets.
- Cyber resilience is being enhanced by implementing an updated Information Security Management System (ISMS) and cyber governance framework, alongside improved business continuity and disaster recovery plans to safeguard against cyber threats. Additionally, a robust incident response plan is being established, with relevant policies, plans, procedures, playbooks, and tabletop exercises to ensure preparedness and effective response to incidents.

Public Interest Disclosures

Forestry Corporation has a Public Interest Disclosures (PID) policy, which is available on the website. Procedures for making and dealing with PIDs are also provided to assist staff. The policy and procedures are available to staff via the intranet and staff newsletter. A PID from FY23 relating to alleged maladministration was finalised in FY24, resulting in a review of and changes to procedures. One PID was received and finalised during FY24 relating to alleged maladministration. This PID was made by a public official performing their day-to-day function. Forestry Corporation is currently reviewing its PID policy.

Insurance

Forestry Corporation maintains extensive insurance coverage. Policies in place for the year were for Worker's Compensation as per current NSW Legislation, Public Liability, Professional Indemnity, Product Liability, Directors & Officers, Personal Accident (volunteers, travel domestic and abroad) Property and Motor Vehicle. All insurance cover is administered under the Treasury Managed Fund (TMF), which is the NSW Government's self-insurance scheme. Forestry Corporation no longer holds a Workcover NSW self-insurance licence, however remains responsible for the tail management of workers' compensation claims incurred whilst licensed as a self-insurer.

Privacy

Considerable work was completed during the reporting period to ensure ongoing compliance with the *Privacy and Personal Information Protection Act 1998*.

The privacy policy was reviewed and updated, along with associated documents including the privacy management plan, privacy manual and data breach response plan. Awareness and training sessions will be rolled out in FY25 to ensure staff understand their obligations and adhere to the refreshed policies and procedures.

Government Information Public Access

Forestry Corporation continues to increase and enhance the information made proactively available to the community. GIS spatial data is a key category of information that continues to be reviewed and added to. Forestry Corporation maintains an open data site for proactive publication of GIS spatial data that is continually updated as operations progress and proactively enhanced with additional datasets.

Work commenced during FY24 to further enhance spatial data provision, with new datasets made available and additional information and functionality to be published in the next reporting period. Data provided in the annual Sustainability Report also continued to be enhanced. Key categories of information released proactively include maps and spatial data, harvest plans, ecology and other reports for native forest operations, information about projects the community may be interested in, reports, policies, timber yield forecasts and reconciliations, and policies and operational guides. Data is also made available proactively via other agencies including real time fire and hazard reduction information via the NSW Rural Fire Service's Hazards Near Me website and app, species records published via the NSW Government Bionet Atlas, and native forestry operational information available via the Environment Protection Authority's native forestry map viewer.

Information is continually reviewed for proactive release and the Forestry Corporation website is regularly updated to enhance publicly available information and publish documents identified for proactive release. The website details the information available as well as how to apply for information under the *Government Information (Public Access) Act 2009* (GIPA Act).

Between 1 July 2023 and 30 June 2024, Forestry Corporation received 17 formal and valid applications for information under the GIPA Act. One application received during the prior reporting period was finalised during FY24 and one application received during the year was determined after the reporting period and will be included in the next annual report. In line with the requirements of Section 8 of the GIPA Act, information about the applications determined during the reporting period is detailed in the tables below and has been supplied to the Information and Privacy Commission (IPC).

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

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/ deny whether information is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0	0
Not for profit organisations or community groups	1	3	0	0	1	0	0	0
Members of the public (by legal representative)	1	3	0	0	0	0	0	1
Members of the public (other)	0	2	2	3	0	0	0	1

* *More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.*

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

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/ deny whether information is held	Application withdrawn
Personal information applications*	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	2	8	2	3	1	0	0	1
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

** A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).*

Table C: Invalid applications

Reason for invalidity	No of applications
Application does not comply with formal requirements (section 41 of the Act)	1
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	1
Invalid applications that subsequently became valid applications	1

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

	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	1
Legal professional privilege	2
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0
Privilege generally – Sch 1(5A)	0
Information about complaints to Judicial Commission	0
Information provided to High Risk Offenders Assessment Committee	0

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

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

	Number of times consideration used*
Responsible and effective government	2
Law enforcement and security	1
Individual rights, judicial processes and natural justice	7
Business interests of agencies and other persons	4
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	16
Decided after 35 days (by agreement with applicant)	1
Not decided within time (deemed refusal)	0
Total	17

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

	Decision varied	Decision upheld	Total
Internal review	0	5	5
Review by Information Commissioner*	1	2	3
Internal review following recommendation under section 93 of Act	1	0	1
Review by NCAT	0	0	0
Total	2	7	9

* *The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.*

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

	Number of applications for review
Applications by access applicants	8
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

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

	Number of applications transferred
Agency-initiated transfers	0
Applicant-initiated transfers	1

Cost of annual report

The total external costs incurred in the production of the Forestry Corporation Annual Report for FY24 were $9776 excluding GST. The Annual Report is available at **www.forestrycorporation.com.au**.

Sustainability

Environmental sustainability

Forestry Corporation works in line with strict environmental frameworks and maintains a detailed Forest Management System that guides activities in line with Ecologically Sustainable Forest Management (ESFM) principles and focuses on continuous improvement.

During the reporting period, a major step was taken towards a renewable future, with investigation permits issued in four locations for the potential establishment of new wind farms within the softwood plantation estate. This is the first time renewable energy projects have been considered in softwood plantations and if projects are approved, they will support a major increase in the State's renewable energy capacity and complement the ongoing production of renewable timber.

Updated Forest Management Plans for the inland hardwood and Cypress forests and for Cumberland State Forest were also put on public display during the reporting period, with stakeholder feedback to inform the plans when they are finalised in FY25.

Forestry operations continue to be independently regulated, with ongoing external audit and oversight, and contractors and employees are trained in the requirements of the various regulations. Land management activities deliver on obligations and commitments under biosecurity regulations and regional pest, weed and fire strategies, while forestry operations must adhere with detailed environmental regulations.

Each operating division also maintains independent certification to the internationally-recognised Australian Standard for Sustainable Forest Management (AS4708), with external audits taking place on a nine-monthly cycle.

The Sustainability Report, which is published on the Forestry Corporation website as a supplement to this Annual Report, includes detailed reporting on a wide range of environmental sustainability measures that align with ESFM.

PEFC
PEFC/21-23-05

Responsible Wood
RW/1-21-5

More detailed data is published in the **Sustainability Report**

Social sustainability

Our people

The safety and wellbeing of our people is fundamental and providing a safe, respectful workplace that supports and promotes diversity continued to be a focus during the reporting period.

Forestry Corporation's Code of Conduct and supporting policies continue to provide staff and contractors with a clear and consistent understanding of what is expected of them, and a Values and Behaviours Framework guides the decisions and actions of staff. An Enterprise Agreement sets the terms, conditions and wage, salary and allowance movements for the majority of staff, excluding senior staff employed on individual contracts.

Negotiations with unions and employee representatives were ongoing throughout the reporting period with the objective to enter into a new Enterprise Agreement that is simpler and aligns with modern awards. At the time of reporting, some conditions in the draft Enterprise Agreement were still being finalised. It is anticipated that staff will have the opportunity to vote on the agreement so that it can be reviewed by Fair Work Australia and, if approved, adopted in FY25.

During the reporting period, both operating divisions also realigned their organisational structures to streamline operational responsibilities and separate the management of permits associated with renewable energy projects from other operations. Cost saving measures were also implemented to manage the financial impact of the difficult operating conditions. These included reassessing vacant roles prior to recruitment, limiting travel and encouraging staff to manage their leave balances.

Work also continued to embed the sexual harassment prevention policy introduced in FY22. During the reporting period, staff and managers were provided with training and resources ensure staff have the tools they need to recognise and report inappropriate workplace behaviour and understand the support available.

Modern slavery

Forestry Corporation has implemented a framework of actions to ensure compliance with the *Modern Slavery Act 2018*, applying a continual improvement approach. A risk assessment of our supply chain has been conducted, to identify high risk categories.

Workforce diversity

Forestry Corporation is committed to fostering a diverse and inclusive work environment where employees feel safe and valued. To support this commitment and to embed the Respect@Work framework, a suite of training and education programs were introduced to enhance employees' understanding of identifying, reporting and preventing sexual harassment and discrimination in the workplace. In addition, the workplace investigation process was refreshed to be more people-centric and support the wellbeing of all parties involved. Internal reporting has also been reviewed to encourage greater transparency and share de-identified learnings to promote continuous improvement.

Significant efforts to improve gender diversity over several years has been reflected in continued year-on-year improvement. The executive leadership team achieved gender parity for the first time and the proportion of female employees across the workforce continued a steady upward trend, increasing by one per cent during the year and by 1.4 per cent at the senior leadership level. Females now represent 27 per cent of employees, occupy 24.4 per cent of senior leadership roles and comprise 50 per cent of the executive leadership team.

To support older members of the workforce, we continued to upskill employees on successfully transitioning to retirement. During the reporting period, more than 70 employees attended a full-day Planning for Retirement Workshop which considered both psychological and financial readiness.

Although our current focus is on age and gender, we continue to monitor other diversity metrics to track progress toward our goal of creating a diverse and inclusive business.

Trends in the representation of Equal Employment Opportunity (EEO) groups*

EEO group Year ended 30 June	Benchmark or target	2020	2021	2022	2023	2024
Women	50%	22%	23%	25%	26%	27%
Aboriginal and Torres Strait Islander peoples	2.6%	4.7%	4.2%	5%	5%	4.7%
People whose first language is not English	19%	6.4%	7.0%	6.4%	7%	5.3%
People with a disability	N/A	19.1%	15%	13%	11%	9.2%
People with a disability requiring work-related adjustment	1.5%	0.3%	0.3%	0.3%	0.3%	0.3%

** Excludes seasonal staff*

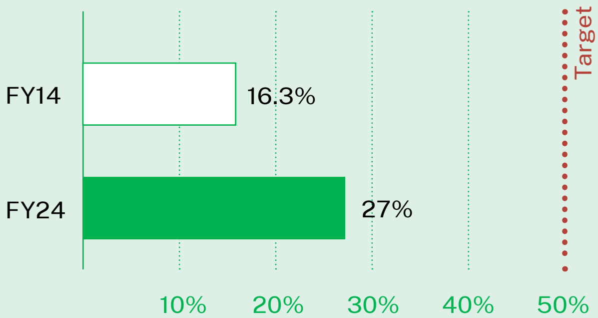
Gender distribution of senior executives

Band	Female		Male	
	FY23	FY24	FY23	FY24
Band 4 or above	–	-	1	1
Band 3	–	1	-	-
Band 2	1	2	2	2
Band 1	1	–	1	1

FY24 includes partial year data for outgoing and incoming Chief Financial Officers

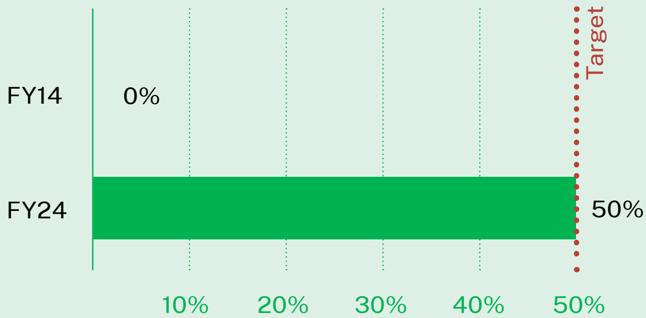
Gender diversity

27% ***(target 50%)***



Executive team gender diversity

50% ***(target 50%)***



Safety

Forestry Corporation's goal is for everyone to return home safe every day.

Critical risks, which are those risks that could have the most severe potential outcome, remained a key focus during the period. Detailed assessments have previously been completed to identify and embed appropriate controls. During the reporting period, significant efforts were made to enhance staff awareness of the most serious risks faced and the mandatory controls that they must implement to manage these and maintain safe workplaces. Heavy vehicle safety is an identified critical risk, and significant work has been undertaken to review and improve controls for both staff and contractors in the chain of responsibility.

While not a critical risk, musculoskeletal injuries are generally the largest proportion of injuries recorded and impact more staff than any other category of injury. On-site physiotherapists have been engaged over the past few years to provide early intervention to treat minor injuries. In addition, an ongoing program to assess and redesign tasks has been implemented to proactively manage the risk of body stressing injuries. This investment has delivered a tangible reduction in soft tissue injuries, which almost halved during the period, and a 27 per cent reduction in slips, trips and falls compared to the previous financial year. This will be a continued focus in FY25.

Notwithstanding the improvements made in many areas, both lost time injuries and total recordable injuries have not met targets and psychological injuries have increased. The ongoing work to embed policies and training under the Respect@Work program will play an important role in improving psychological safety for staff. Considerable investment continues into support programs, which include more than 120 staff receiving mental health first aid training to aid earlier reporting and intervention.

Contractor injuries also continue to represent a high proportion of the injuries recorded. A range of initiatives is underway to engage contractors in safety improvement, including collaborative safety forums, training and upskilling contract managers and contractors, and extending wellbeing support initiatives to contractors.

Lost time injury frequency rate

	FY23	FY24 Target	FY24
Rolling 12-month LTIFR including contractors	9.6	6.2	13.2

Total recorded injury frequency rate

	FY23	FY24 Target	FY24
Rolling 12-month TRIFR including contractors	18.2	11.7	19.1

More detailed data is published in the **Sustainability Report**

Financial performance

Investment performance

During FY24 Forestry Corporation drew down on financial investments to fund substantial new land purchases.

TCorp Fund Type	FY24			FY23		
	Investment ($)	Return ($)	%	Investment ($)	Return ($)	%
TCorp Cash Fund (closed Nov 22)	0			-	85,626	0.77
TCorp Short Term	0	0	0	51,799,829	1,886,682	3.78

Debt management

At 30 June 2024, Forestry Corporation's total borrowings were $70 million (FY23: $50 million). The debt portfolio was sourced entirely through NSW Treasury Corporation (TCorp) and is actively managed to limit the cost of funds. At 30 June 2024, Forestry Corporation's debt consisted of short and long term borrowings and was subject to fixed and variable interest charges from TCorp.

Debt portfolio performance

	Forestry Corporation	10-year Govt Bond benchmark
Market valuation 30 June 2024*	$75,678,492	N/A
Generalised cost of funds	3.9%	5.0%

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

Financial statements

30 June 2024

Forestry Corporation of NSW
ABN 43 141 857 613

Start of audited financial statements

Forestry Corporation of New South Wales

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2024

	Note	30 June 2024 $'000	30 June 2023 $'000
Revenue from transactions			
Revenue from contracts with customers	4	339,253	335,914
Other income	5	49,601	40,384
Investment revenue	6	5,445	7,075
Total revenue		394,299	383,373
Expenses from transactions			
Other operating expenses	8	(301,524)	(296,072)
Employee benefits expense	9	(90,226)	(76,631)
Depreciation and amortisation expense		(11,824)	(10,047)
Finance costs	10	(2,319)	(2,503)
Total expenses		(405,893)	(385,253)
Other gains/(losses)	7	136,093	3,789
Net impairment loss of right-of-use asset	18	(363)	(274)
Net impairment loss of property, plant and equipment	17	(4,019)	(598)
Fair value gains on revaluation of non-current assets	17	1,159	1,701
Reversal of impairment on receivables	14	322	157
Impairment loss of easement	20	(500)	-
Net profit/(loss) before income tax benefit/(expense)		121,098	2,895
Income tax benefit/(expense)	11	(36,838)	(2,227)
Net profit/(loss) after income tax benefit/(expense) for the year attributable to the owners of Forestry Corporation of New South Wales		84,260	668
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Net gain on the revaluation of assets, net of tax		51,670	48,596
Actuarial gain/(loss) on defined benefit plans, net of tax		(32)	7,956
Other comprehensive income for the year, net of tax		51,638	56,552
Total comprehensive income for the year attributable to the owners of Forestry Corporation of New South Wales		135,898	57,220

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

Forestry Corporation of New South Wales

Statement of financial position

As at 30 June 2024

	Note	30 June 2024 $'000	30 June 2023 $'000
Assets			
Current assets			
Cash and cash equivalents	12	11,648	128,418
Trade and other receivables	14	51,116	52,119
Inventories	15	5,182	4,934
Biological assets	16	40,183	50,831
Income tax refund	11	5,621	-
Total current assets		113,750	236,302
Non-current assets			
Property, plant and equipment	17	1,559,616	1,412,528
Biological assets	16	740,266	575,429
Investment property	19	6,629	6,520
Right-of-use assets	18	1,862	1,671
Intangible assets	20	3	507
Total non-current assets		2,308,376	1,996,655
Total assets		2,422,126	2,232,957
Liabilities			
Current liabilities			
Trade and other payables	21	75,519	83,949
Contract liabilities	22	20,641	11,238
Borrowings	23	24,656	8,083
Dividend payable	24	-	13,456
Lease liabilities	25	868	599
Employee benefits	26	32,759	30,494
Provisions	27	803	589
Income tax	11	-	14,191
Total current liabilities		155,246	162,599
Non-current liabilities			
Borrowings	23	45,365	42,409
Employee benefits	26	961	3
Provisions	27	934	1,026
Lease liabilities	25	3,683	4,120
Retirement benefit obligations	28	22,515	21,743
Deferred tax liability	11	578,982	522,515
Total non-current liabilities		652,440	591,816
Total liabilities		807,686	754,415
Net assets		1,614,440	1,478,542
Equity			
Contributed equity	29	491,706	491,706
Reserves		969,199	920,613
Retained profits		153,535	66,223
Total equity		1,614,440	1,478,542

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

Forestry Corporation of New South Wales

Statement of changes in equity

For the year ended 30 June 2024

	Contributed equity $'000	Asset revaluation reserve $'000	Deferred tax asset reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2022	491,706	822,988	50,092	69,578	1,434,364
Net profit/(loss) after income tax benefit/ (expense) for the year	-	-	-	668	668
Other comprehensive income for the year, net of tax	-	48,596	-	7,956	56,552
Total comprehensive income for the year	-	48,596	-	8,624	57,220
Transfer of asset revaluation to retained profits	-	(1,063)	-	1,520	457
Transactions with owners in their capacity as owners:					
Dividends paid or payable	-	-	-	(13,499)	(13,499)
Balance at 30 June 2023	491,706	870,521	50,092	66,223	1,478,542

	Contributed equity $'000	Asset revaluation reserve $'000	Deferred tax asset reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2023	491,706	870,521	50,092	66,223	1,478,542
Net profit/(loss) after income tax benefit/ (expense) for the year	-	-	-	84,260	84,260
Other comprehensive income/(loss) for the year, net of tax	-	51,670	-	(32)	51,638
Total comprehensive income for the year	-	51,670	-	84,228	135,898
Transfer of asset revaluation to retained profits	-	(3,084)	-	3,084	-
Balance at 30 June 2024	491,706	919,107	50,092	153,535	1,614,440

Asset revaluation reserve

The reserve is used to recognise increments and decrements in the fair value of property, plant and equipment, excluding investment properties.

Deferred tax asset reserve

A specific reserve was created in 2013 for the recognition of deferred tax asset relating to employee benefit obligations on adoption of the AASB Standards.

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

Forestry Corporation of New South Wales

Statement of cash flows

For the year ended 30 June 2024

	Note	30 June 2024 $'000	30 June 2023 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		429,634	446,794
Payments to suppliers and employees (inclusive of GST)		(423,384)	(375,616)
Interest received		2,483	4,207
Interest and other finance costs paid		(2,285)	(3,210)
Income taxes paid (net)		(20,991)	(1,496)
Net cash from/(used in) operating activities	13	(14,543)	70,679
Cash flows from investing activities			
Purchase of Property, Plant and Equipment	17	(92,094)	(31,251)
Payments for standing timber		(17,407)	-
Proceeds from disposal of property, plant and equipment		2,282	2,650
Net cash used in investing activities		(107,219)	(28,601)
Cash flows from financing activities			
Proceeds from borrowings	13	19,700	-
Dividends paid		(13,456)	(443)
Repayment of borrowings	13	-	(13,353)
Payment of principal portion of lease liabilities	13	(1,252)	(847)
Net cash from/(used in) financing activities		4,992	(14,643)
Net increase/(decrease) in cash and cash equivalents		(116,770)	27,435
Cash and cash equivalents at the beginning of the financial year		128,418	100,983
Cash and cash equivalents at the end of the financial year	12	11,648	128,418

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

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 1. General information

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

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

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

The Corporation's principal activities involve tree planting and regeneration operations, planning and managing harvest operations, marketing, and delivering timber products. The Corporation has entered into renewable energy activities (wind farms), with issuance of permits to allow investigations on wind energy.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 17 September 2024.

Note 2. Statement of Material Accounting Policy Information

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

Basis of preparation

The Corporation's financial statements are general purpose financial statements which have been prepared on an accrual basis in accordance with applicable Australian Accounting Standards (including Australian Accounting Interpretations), the requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2024, the Treasurer's directions and the *State Owned Corporations Act 1989*.

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

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of certain forest, non-forest assets, property, plant and equipment and investment properties, which are accounted at fair value.

Current and non-current classification

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

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

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

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

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 2. Statement of Material Accounting Policy Information (continued)

Impairment of non-financial assets

The Corporation assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Corporation estimates the recoverable amount of the asset. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the depreciation / amortisation method or period.

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

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

Goods and Services Tax (GST) and other similar taxes

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

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

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

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

Rounding of amounts

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

Comparative figures

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

New or amended Accounting Standards and Interpretations effective for the first time in FY2023-24

The accounting policies applied in 2023-24 are consistent with those of the previous financial year except as a result of the following new or revised AAS that have been applied for the first time in 2023-24:

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current*
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*
- AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax Assets and Liabilities arising from a Single Transaction*

These accounting standard amendments did not have a material financial impact on the financial statements of the Corporation in the reporting period, neither does it anticipate any material financial impact in the future reporting periods. The accounting policies that are material to the Corporation are described throughout the notes to the financial statements.

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 2. Statement of Material Accounting Policy Information (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

NSW public sector entities are not permitted to early adopt new AAS, unless Treasury determines otherwise. The following new AAS have not been applied and are not yet effective:

- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback*

The Corporation does not expect any material financial impact on adoption of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires the use of accounting estimates, judgments and assumptions based on historical events and other available factors, including expectations of future events that may have a financial impact on the Corporation and that are believed to be reasonable under the circumstances.

Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. These judgements, estimates and assumption are further discussed below.

(i) Key judgements

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is a reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the leases' terms, all facts and circumstances that create economical incentive to exercise option or not to exercise a termination option, are considered at the lease commencement. Factors considered may include the importance of the assets to the Corporation's operation, comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of leasehold improvements; and the cost and disruption to replace the assets. The Corporation reassesses whether it is reasonably certain to exercise extension option or not exercise a termination option, if there is a significant event or change in circumstances.

Climate change

The key areas of risk from climate change are intense and prolonged bushfire seasons, floods, droughts, impact on forest health, biodiversity, and tree growth. Identifying and establishing controls to mitigate these risks are central to the Corporation's risk management strategy and is a key feature in its strategic plan.

The Corporation invests in research and development on monitoring forest health and biodiversity for long-term sustainability and implemented pre-emptive controls for bushfire risks by redesigning plantations and fuel load management. In addition, the Corporation looks to diversify its product mix to seek and promote growth in the renewable energy and non-timber products sector.

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Fair value measurement hierarchy

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

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

Refer to note 31 for fair value hierarchy and assessment for property, plant and equipment and biological assets and note 28 of fair value hierarchy and assessment for fair value of fund assets.

Superannuation defined benefit liability

As discussed in note 28, the liability for the defined benefit superannuation plans is measured at the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost as determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. The actuarial valuations are sensitive to these assumptions.

(ii) Key estimates

Allowances for expected credit losses

AASB 9 'Financial Instruments' requires an entity to recognise a loss allowance for expected credit losses on financial assets. Examples of financial assets include lease receivables, contract assets, trade receivables, loan commitments and financial guarantees.

The key impact for the Corporation is on trade receivables (note 14). The trade receivables impairment model measures the expected credit losses using a probability-weighted estimate of credit losses over the expected life of the financial asset. The impairment model considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the asset.

Estimation of useful lives of assets

The Corporation determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment (note 17), right-of-use assets (note 18) and finite life intangible assets (note 20). The useful lives could change significantly as a result of technical innovations or some other events. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated, or technically obsolete or non-strategic assets that have been abandoned or sold is written off or written down.

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 4. Revenue from contracts with customers

	30 June 2024 $'000	30 June 2023 $'000
Sales revenue from contracts with customers		
Forest products	326,183	322,588
Miscellaneous forests products	3,668	4,327
Permits and licence fees	6,092	4,226
Other forestry management services	3,310	4,773
Revenue from contracts with customers	339,253	335,914

	30 June 2024 $'000	30 June 2023 $'000
Timing of sales revenue recognition		
Goods transferred at a point in time	329,851	326,915
Services transferred over time	9,402	8,999
	339,253	335,914

Recognition and measurement

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

Sale of forest products

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

Sales of permits and licence fees and other forest management services

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

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 5. Other income

	30 June 2024 $'000	30 June 2023 $'000
Grants revenue - community service obligations	36,850	31,064
Grants revenue - other state government grants	5,364	5,217
Section 44 reimbursement*	3,012	275
Other services rendered	4,375	3,828
	49,601	40,384

** Revenue recoupment for expenditure incurred by the Corporation for firefighting activities.*

Recognition and measurement

Government grants are disclosed separately in the financial statements in accordance with AASB 120 Accounting for Government Grants and Disclosure of Government Assistance. Income from government funded projects is recognised in profit or loss when the related expenditures are incurred.

Community Service Obligations ('CSO')

The Corporation received grants revenue including provisions for recreational facilities, education and advisory services, government liaison and regulatory services, community fire protection, infrastructure works, research and land management. The costs are included in operating expenditure in note 8. Any unspent CSO grants (note 21) are carried forward to the next financial year for on-going projects.

Other Government Grants

The State Government also paid the Corporation for the performance of specific services including tourism precincts, cybersecurity, light fleet fire spray protection and strategic fire trails. Any unspent other government grants are carried forward (see note 21) to the next financial year for on-going projects.

Other services rendered

Other revenue is recognised when it is received or when the rights to receive payment is established and or once performance obligations have been met.

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 6. Investment revenue

	30 June 2024 $'000	30 June 2023 $'000
Land rental income - Forest Management Income	134	134
Realised gain on TCorpIM funds	654	1,974
Bank interest	1,828	2,030
Rental income - buildings & cottages	477	622
Other rental	2,352	2,315
	5,445	7,075

Rental income from operating leases is recognised on a straight-line basis over the term of the contract.

Interest

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

Note 7. Other gains/(losses)

	30 June 2024 $'000	30 June 2023 $'000
Net change in valuation of biological assets	136,781	2,492
Gain/(Loss) on disposal of non-current assets	(688)	1,094
Unrealised net fair value movement in T-Corp funds	-	203
	136,093	3,789

Refer to note 16 for biological assets movement.

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 8. Other operating expenses

	30 June 2024 $‘000	30 June 2023 $‘000
Contract harvest and haulage	166,451	166,015
External contractor costs	85,703	80,543
Other operating expenses	17,406	13,454
Materials	17,144	21,411
Occupancy costs other than long-term leases	1,790	1,901
Forest management and licence costs	956	1,621
Travel and accommodation	2,164	2,239
Communication and computer costs	4,523	4,360
Insurance and state taxes	2,003	1,595
Consultants	3,384	2,933
	301,524	296,072

Recognition and measurement

Other operating expenses generally represent running costs incurred as part of operations and are recognised in the reporting period in which they are incurred.

Insurance

The Corporation’s insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government entities.

Note 9. Employee benefits expense

	30 June 2024 $‘000	30 June 2023 $‘000
Salaries, wages, and on-costs*	81,957	69,047
Defined contribution superannuation expense	6,643	5,283
Defined benefit contributions	1,626	2,301
	90,226	76,631

** Salaries and wages including long service leave, annual leave, workers’ compensation insurance, payroll tax and fringe benefit tax, excluding superannuation expenses. Refer to note 28 for further details on defined benefit superannuation obligation.*

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 10. Finance costs

	30 June 2024 $'000	30 June 2023 $'000
Amortisation - Premium on borrowings	(171)	(305)
Government guarantee fee	774	862
Interest expenses	1,445	1,619
Lease interest	271	280
Other finance costs	-	47
	2,319	2,503

Recognition and measurement

Government guarantee fee

The Corporation is required to pay an annual government guarantee fee to NSW Treasury relative to the amount of loans at the reporting date, based upon the differential between an independently assessed, stand alone, credit rating for the Corporation and the NSW Government's rating. The actual fee payable is calculated using factors provided by NSW Treasury each year. The government guarantee fee is expensed in the period in which it is incurred.

Finance costs

Finance costs are expensed in the period in which they are incurred, including:

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

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 11. Income tax

	30 June 2024 $'000	30 June 2023 $'000
Income tax expense		
Current tax	-	19,416
Deferred tax -origination and reversal of temporary differences	36,763	(18,107)
Adjustment recognised for prior periods	75	918
Aggregate income tax expense	36,838	2,227
Numerical reconciliation of income tax expense and tax at the statutory rate		
Net profit/(loss) before income tax benefit/(expense)	121,098	2,895
Tax at the statutory tax rate of 30%	36,329	869
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	(493)	(16)
Non-deductible loss on disposals	36	222
Non-deductible revaluation	891	234
	36,763	1,309
Adjustment recognised for prior periods	75	918
Income tax expense	36,838	2,227

	30 June 2024 $'000	30 June 2023 $'000
Amounts charged directly to equity		
Deferred tax liabilities	20,808	23,780

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 11. Income tax (continued)

	30 June 2024 $'000	30 June 2023 $'000
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Investment properties	479	459
Biological assets	215,408	174,373
Employee benefits	(9,693)	(8,961)
Community service obligations and other government grants	(11,613)	(11,009)
Contract liability	(6,192)	(3,371)
Property, Plant and Equipment	(2,681)	(1,808)
Other	(1,876)	(1,721)
	183,832	147,962
Amounts recognised in equity:		
Revaluation of property, plant and equipment	401,904	381,076
Retirement benefit obligations	(6,754)	(6,523)
	395,150	374,553
Deferred tax liability	578,982	522,515
Movements:		
Opening balance	522,515	516,842
Charged/(credited) to profit or loss	36,763	(18,107)
Charged to equity	20,808	23,780
Prior year adjustment	(1,104)	-
Closing balance	578,982	522,515

	30 June 2024 $'000	30 June 2023 $'000
Income tax		
Income Tax Receivable/(Payable)	5,621	(14,191)

Recognition and measurement

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

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 11. Income tax (continued)

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

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

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

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

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

Note 12. Cash and cash equivalents

	30 June 2024 $'000	30 June 2023 $'000
Cash at bank	10,359	75,642
NSW Treasury Corporation TCorpIM Funds	-	51,800
Restricted Cash*	1,289	976
	11,648	128,418

* *The cash and cash equivalents disclosed above include the Workers Compensation Security Deposit of $1,289,000, which are held by State Insurance Regulatory Authority. These deposits are subject to regulatory restrictions and therefore not available for general use.*

Recognition and measurement

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

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 13. Cash flow information

Reconciliation of net profit/(loss) after income tax to net cash from/(used in) operating activities

Changes in liabilities arising from financing activities

	Borrowings $'000	Lease liabilities $'000	Total $'000
Balance at 1 July 2022	64,151	5,154	69,305
Net cash used in financing activities	(13,353)	(847)	(14,200)
Other charges	(306)	-	(306)
Remeasurement of lease liabilities	-	287	287
New leases	-	125	125
Balance at 30 June 2023	50,492	4,719	55,211
Net cash used in financing activities	-	(1,252)	(1,252)
Proceeds from NSW TCorp 11am Come and Go Facility	19,700	-	19,700
Other charges	(171)	271	100
Remeasurement of lease liabilities	-	293	293
New leases	-	520	520
Balance at 30 June 2024	70,021	4,551	74,572

	30 June 2024 $'000	30 June 2023 $'000
Net profit/(loss) after income tax benefit/(expense) for the year	84,260	668
Adjustments for:		
Depreciation and amortisation	11,824	10,047
Impairment of non-current assets	4,019	598
Impairment of right-of-use assets	363	-
Impairment of easement	500	-
Impairment of financial and contract assets	(322)	(157)
Fair value gains on non-current assets revaluations	(1,159)	(1,701)
Net loss/(gain) on disposal of property, plant and equipment	688	(1,094)
Change in fair value of biological assets	(136,781)	(2,492)
Other non-cash item	155	(675)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	1,332	29,859
Increase in inventories	(249)	(1)
Increase in trade and other payables and provisions	4,703	32,924
Increase/(decrease) in loans	277	-
Increase/(decrease) in provision for income tax	(20,991)	19,057
Increase/(decrease) in deferred tax liabilities	36,838	(16,354)
Net cash from/(used in) operating activities	(14,543)	70,679

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 14. Trade and other receivables

	30 June 2024 $'000	30 June 2023 $'000
Current assets		
Trade receivables	42,739	48,012
Less: Allowance for expected credit losses	(146)	(126)
	42,593	47,886
Other debtors	2,020	1,585
Less: Allowance for expected credit losses	-	(342)
	2,020	1,243
Prepayments	6,503	2,990
	51,116	52,119

Allowance for expected credit losses

The Corporation has recognised a net reversal of $321,076 (2023: $157,461) in profit or loss in respect of the expected credit losses for the period ended 30 June 2024

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

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	30 June 2024 %	30 June 2023 %	30 June 2024 $'000	30 June 2023 $'000	30 June 2024 $'000	30 June 2023 $'000
Not overdue under 30 days	-	-	50,981	50,008	-	-
31 Days	1.57%	1.57%	53	2,068	(1)	(32)
61 Days	4.97%	4.97%	33	3	(2)	-
90 Days	49.92%	49.92%	103	144	(51)	(72)
180 Days	100.00%	100.00%	92	364	(92)	(364)
			51,262	52,587	(146)	(468)

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 14. Trade and other receivables (continued)

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

	30 June 2024 $‘000	30 June 2023 $‘000
Opening balance	468	626
Receivables written off during the year as uncollectable	10	-
Unused amounts reversed	(332)	(158)
Closing balance	146	468

Recognition and measurement

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

The Corporation has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Corporation based on recent sales experience, historical collection rates and forward-looking information that is available. Other receivables are recognised at amortised cost, less any allowance for expected credit losses. Changes to expected credit losses are recognised within other expenses. For receivables found to be uncollectable, the carrying value is directly reduced, and a bad debt recognised within other expenses.

Note 15. Inventories

	30 June 2024 $‘000	30 June 2023 $‘000
Current assets		
Work in progress and finished goods	5,182	4,934

Recognition and measurement

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

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

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 16. Biological assets

	30 June 2024 $'000	30 June 2023 $'000
Current assets		
Softwood at fair value	40,183	50,831
Non-current assets		
Softwood at fair value	740,266	575,429
	780,449	626,260

Reconciliations

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

	Softwood $'000
Balance at 1 July 2022	623,768
Harvested timber recognised in profit or loss	(32,272)
Changes in fair value less estimated point of sale costs recognised in profit or loss due to:	
• change in the discount rate	(29,285)
• changes in volumes, prices, costs and markets	64,049
Balance at 30 June 2023	626,260
Purchase of standing timber	17,407
Harvested timber recognised in profit or loss	(47,410)
Changes in fair value less estimated point of sale costs recognised in profit or loss due to:	
• change in the discount rate	74,725
• changes in volumes, prices, costs and markets	109,467
Write off of assets	-
Transfers in/(out)	-
Balance at 30 June 2024	780,449

Refer to note 31 for further information on fair value measurement.

Recognition and measurement

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

Softwood

The Corporation manages approximately 228,000 (2023:225,000) hectares of softwood plantations.

The Corporation engaged an expert valuer to carried out valuation for the period ended 30 June 2024. The independent valuer applied a market-based valuation approach, which involves a combination of the sales comparison method and income approach under a discounted cash flow framework.

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 16. Biological assets (continued)

Key assumptions used in the sales comparison approach include:

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

Key assumptions used in the income approach include:

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

The net increment or decrement in the value movement of the softwood plantation estate has been recognised in profit or loss and other comprehensive income.

Hardwood

The Corporation manages approximately 34,000 (2023:34,000) hectares of hardwood plantations and approximately 1,901,000 (2023:1,901,000) hectares of native forests.

Hardwood assets have been fully impaired, and the tree crop value is not recognised in the financial statements. Other related assets, except for land, are also fully impaired.

Note 17. Property, plant and equipment

	30 June 2024 $'000	30 June 2023 $'000
Non-current assets		
Land	1,387,983	1,246,560
Buildings	33,415	27,618
Less: Accumulated depreciation	(11,649)	(10,477)
Less: Impairment	(4,625)	(3,995)
	17,141	13,146
Plant and equipment	50,785	44,605
Less: Accumulated depreciation	(16,213)	(9,796)
	34,572	34,809
Roads and bridges	286,770	273,335
Less: Accumulated depreciation	(149,055)	(141,561)
Less: Impairment	(23,034)	(19,517)
	114,681	112,257
Property work in progress - at cost	5,239	5,756
	1,559,616	1,412,528

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 17. Property, plant and equipment (continued)

Reconciliation

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

	Land $'000	Buildings $'000	Plant and equipment $'000	Roads and bridges $'000	Capital work in progress $'000	Total $'000
Balance at 1 July 2022	1,172,969	12,195	27,975	107,828	1,711	1,322,678
Additions	-	-	-	-	31,251	31,251
Disposals	(113)	-	(1,393)	-	-	(1,506)
Revaluation increments	63,620	-	-	7,180	-	70,800
Transfer from work in progress	10,084	1,727	14,619	687	(27,117)	-
Impairment/Reverse	-	110	-	(607)	-	(497)
Transfers to investment properties (note 19)	-	(175)	-	-	(89)	(264)
Depreciation expense	-	(711)	(6,392)	(2,831)	-	(9,934)
Balance at 30 June 2023	1,246,560	13,146	34,809	112,257	5,756	1,412,528
Additions	-	-	-	-	92,094	92,094
Disposals	-	(39)	(2,116)	(815)	-	(2,970)
Revaluation increments	66,853	625	-	6,031	-	73,509
Transfer from work in progress	74,542	4,612	9,679	3,733	(92,566)	-
Impairment/Reverse	-	(502)	-	(3,517)	-	(4,019)
Transfers to/from investment properties (note 19)	27	56	-	-	(45)	38
Depreciation expense	-	(757)	(7,800)	(3,007)	-	(11,564)
Balance at 30 June 2024	1,387,982	17,141	34,572	114,682	5,239	1,559,616

Refer to note 31 for further information on fair value measurement.

Recognition and measurement

The Corporation's property, plant and equipment is governed by NSW Treasury's accounting policy TPP06-6 '*Guidelines for Capitalisation of Expenditure on Property, Plant and Equipment.*'

Items of property, plant and equipment are initially measured at their cost, and are subsequently measured at their fair value in accordance with NSW Treasury's accounting policy TPP21-09 '*Valuation of Physical Non-Current Assets at Fair Value*'. This policy adopts fair value in accordance with AASB 13 '*Fair Value Measurement*' and AASB 116 '*Property, Plant and Equipment*'. A comprehensive valuation will be carried out during the financial year ending 30 June 2025 under TPP 21-09 '*Valuation of Physical Non-Current Assets at Fair Value*'.

The Corporation revalues each class of property, plant and equipment with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date.

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

Plant and equipment including fleet assets, IT, communication, office equipment are considered to be non-specialised assets. The carrying amount of these items in depreciated historical cost are deemed to be stated as fair value. The Corporation has assessed that any difference between fair value and depreciated historical cost is deemed to be immaterial.

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 17. Property, plant and equipment (continued)

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

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

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

- Buildings 10 to 50 years
- Plant and equipment 3 to 20 years
- Roads - Pavements 30 years
- Roads - Earthworks 100 years
- Roads and bridges - Concrete and Steel Crossing 50 to 100 years

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

The Corporation's road policy includes primary and secondary harvesting roads and excludes fire trails and tracks.

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

Note 18. Right-of-use assets

	30 June 2024 $'000	30 June 2023 $'000
Non-current assets		
Land and buildings - right-of-use	7,572	6,932
Less: Accumulated depreciation	(612)	(356)
Less: Impairment	(5,098)	(4,905)
	1,862	1,671

The Corporation leases land and buildings for its forestry operations and offices. As at the reporting date, the remaining terms ranging from one month to 26 years, but these include extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Corporation does not provide residual value guarantees in relation to leases.

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 18. Right-of-use assets (continued)

Reconciliations

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

	Land and building $'000
Balance at 1 July 2022	1,642
Additions	125
Lease Remeasurement	287
Impairment of assets	(274)
Depreciation expense	(109)
Balance at 30 June 2023	1,671
Additions	520
Lease Remeasurement	290
Impairment of assets	(363)
Depreciation expense	(256)
Balance at 30 June 2024	1,862

For other lease related disclosures refer to the following:

- note 10 for details of interest on lease liabilities and other lease payments;
- note 13 for changes in lease liabilities;
- note 25 for lease liabilities as at the reporting date;
- note 30 for undiscounted future lease commitments; and
- the statement of cash flows for repayment of lease liabilities.

Recognition and measurement

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

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

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

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 19. Investment property

	30 June 2024 $'000	30 June 2023 $'000
Non-current assets		
Investment properties	6,629	6,520

Reconciliation

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

Opening fair value	6,520	6,082
Net transfers (to)/from property, plant and equipment (note 17)	(38)	264
Disposals	-	(50)
Revaluation increments	147	224
Closing fair value	6,629	6,520

Lease commitments (income)

	30 June 2024 $'000	30 June 2023 $'000
Minimum lease commitments receivable but not recognised in the financial statements:		
One year or less	423	474
Between one and five years	694	1,228
	1,117	1,702

Recognition and measurement

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

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

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

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

Valuations of investment properties

The basis of the valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment. An interim valuation of investment properties was conducted during the year ended 30 June 2024 by an independent valuer in accordance with NSW Treasury's accounting policy TPP 21-09 'Valuation of Physical Non-Current Assets at Fair Value', AASB 13 'Fair Value Measurement' and AASB 140 'Investment Properties'.

Refer to note 31 for further information on fair value measurement.

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 20. Intangible assets

	30 June 2024 $'000	30 June 2023 $'000
Non-current assets		
Software -at cost	21	21
Less: Accumulated amortisation	(18)	(14)
	3	7
Right of access land easement	500	500
Less: Impairment	(500)	-
	-	500
	3	507

Reconciliation

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

	Software $'000	Right of access land easement $'000	Total $'000
Balance at 1 July 2022	11	500	511
Amortisation expense	(4)	-	(4)
Balance at 30 June 2023	7	500	507
Impairment	-	(500)	(500)
Amortisation expense	(4)	-	(4)
Balance at 30 June 2024	3	-	3

Note 21. Trade and other payables

	30 June 2024 $'000	30 June 2023 $'000
Current liabilities		
Trade creditors	37,235	42,518
Other current liabilities	661	661
Community service obligations and other government grants	37,623	40,770
	75,519	83,949

Refer to note 30 for further information for financial instruments.

Recognition and measurement

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

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 22. Contract liabilities

	30 June 2024 $'000	30 June 2023 $'000
Current liabilities		
Contract liabilities	20,641	11,238

Reconciliation

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

Opening balance	11,238	9,727
Contract liabilities incurred in the current period	21,816	20,226
Revenue recognised from performance obligation satisfied	(12,413)	(18,715)
Closing balance	20,641	11,238

Recognition and measurement

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

Note 23. Borrowings

	30 June 2024 $'000	30 June 2023 $'000
Current liabilities		
NSW Treasury Corporation 11am Come and Go Facility*	19,700	-
NSW Treasury Corporation loans	4,956	8,083
	24,656	8,083
Non-current liabilities		
NSW Treasury Corporation loans	45,365	42,409
	70,021	50,492

* NSW Treasury Corporation (TCorp) is the Corporation's Liability Advisor and assists in the management and structuring of the debt portfolio. Management of the portfolio is in accordance with NSW Treasury requirements and Board approved parameters. During 2023 -2024, the Corporation borrowed $19.7m Come and Go Facility with NSW Treasury Corporation.

Refer to note 30 for further information on financial instruments.

Recognition and measurement

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

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 24. Dividend payable

	30 June 2024 $‘000	30 June 2023 $‘000
Current liabilities		
Dividend payable	-	13,456

The Board of Directors has proposed Nil dividend for financial year ending 30 June 2024.

Recognition and measurement

The dividends are calculated on adjusted net profit after tax in accordance with NSW Treasury’s accounting policy TPG21-10 ‘*Capital Structure and Financial Distribution Policy for Government Businesses*’ and recognised as a payable only when the shareholding ministers accept the dividends recommended by the Board of Directors.

Note 25. Lease liabilities

	30 June 2024 $‘000	30 June 2023 $‘000
Current liabilities		
Lease liabilities	868	599
Non-current liabilities		
Lease liabilities	3,683	4,120
	4,551	4,719

Refer to note 30 for further information on financial instruments.

Measurement and recognition

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

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

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 26. Employee benefits

	30 June 2024 $'000	30 June 2023 $'000
Current liabilities		
Employee benefits	32,759	30,494
Non-current liabilities		
Employee benefits	961	3
	33,720	30,497

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

Amounts not expected to be settled within the next 12 months

The current liability for employee benefits includes all unconditional entitlements where employees have completed the required period of service and those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Corporation does not have an unconditional right to defer settlement. However, based on past experience, the Corporation does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months:

	30 June 2024 $'000	30 June 2023 $'000
Employee benefits obligation not expected to be settled within the next 12 months	23,282	24,727

Measurement and recognition

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be wholly settled within 12 months of the reporting date are recognised in current liabilities for employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Sick leave is non-vesting and is expensed as incurred.

Other long-term employee benefits

Long-term employee benefits are all employee benefits other than short-term employee benefits and are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability for more than 12 months. The liability is measured at the present value of expected future payments to be made for services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high-quality corporate bond rates (5.4% p.a.) with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation schemes

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in determining profit or loss in the periods during which services are rendered by employees.

Refer to note 28 for defined benefit superannuation schemes.

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 27. Provisions

	30 June 2024 $'000	30 June 2023 $'000
Current liabilities		
Workers compensation	803	589
Non-current liabilities		
Onerous contracts	-	89
Workers compensation	934	937
	934	1,026
	1,737	1,615

Onerous contracts

The provision represents the present value of the estimated costs, net of any sub-lease revenue, which will be incurred until the end of the lease terms where the obligation is expected to exceed the economic benefit to be received.

Workers compensation

The workers compensation is assessed by the actuary in accordance with Work Cover legislation.

Movements in provisions

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

30 Jun 2024	Onerous contracts $'000	Workers compensation $'000
Carrying amount at the start of the year	89	1,526
Additional provisions recognised	-	663
Amounts reversed	(89)	-
Payments	-	(452)
Carrying amount at the end of the year	-	1,737

Measurement and recognition

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

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 28. Retirement benefit obligations

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

Statement of financial position amounts

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

	30 June 2024 $'000	30 June 2023 $'000
Present value of the defined benefit obligation	224,326	226,223
Fair value of defined benefit plan assets	(201,811)	(204,480)
Net liability in the statement of financial position	22,515	21,743

Nature of the benefits provided by the fund

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

- State Authorities Superannuation Scheme ('SASS');
- State Superannuation Scheme ('SSS');
- Police Superannuation Scheme ('PSS'); and
- State Authorities Non-contributory Superannuation Scheme ('SANCS').

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

All the Schemes are closed to new members.

Description of the regulatory framework

The schemes in the Pooled Fund are established and governed by the following NSW legislation: *Superannuation Act 1916, State Authorities Superannuation Act 1987, Police Regulation (Superannuation) Act 1906, State Authorities Non-Contributory Superannuation Act 1987*, and their associated regulations.

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

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

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

The 30 June 2024 Triennial Actuarial Valuation is currently being undertaken by PwC Australia in its capacity as the Actuary to the Fund's Trustee, STC.

The Scheme Actuary and STC review the current contribution plan annually and may recommend changes (increases or decreases) to future contributions, as necessary. In the event that there is a surplus which is appropriate to repay to the entity given that all liabilities (including contingent liabilities) have been extinguished, legislative sign-off is required from the NSW Treasurer to approve such repayments.

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 28. Retirement benefit obligations (continued)

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

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

- administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;
- management and investment of the fund assets; and
- compliance with other applicable regulations.

Description of risks

There are a number of risks to which the fund exposes the employer. The more significant risks relating to the defined benefits are:

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

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

Description of significant events

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

Reconciliation of the net defined benefit liability/(asset)

30 Jun 2024	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Net defined benefit liability/(asset) at 1 July 2023	(9,389)	(3,824)	34,957	21,744
Current service cost	178	144	-	322
Net interest on the net defined benefit liability/(asset)	(541)	(217)	1,947	1,189
Actual return on fund assets less interest income	-	-	-	-
Actuarial (gains)/losses arising from changes in demographic assumptions	(1,146)	(120)	(2,151)	(3,417)
Actuarial (gains)/losses arising from changes in financial assumptions	-	-	-	-
Actuarial (gains)/losses arising from liability experience	1,337	186	3,241	4,764
Employer contributions	(80)	90	(1,311)	(1,301)
	(656)	(130)	-	(786)
Net defined benefit liability/(asset) at 30 June 2024	(10,297)	(3,871)	36,683	22,515

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 28. Retirement benefit obligations (continued)

30 Jun 2023	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Net defined benefit liability/(asset) at 1 July 2022	(5,051)	(3,000)	40,107	32,056
Current service cost	215	156	-	371
Net interest on the net defined benefit liability/(asset)	(288)	(162)	2,109	1,659
Actuarial (gains)/losses arising from changes in demographic assumptions	(2,643)	(312)	(5,144)	(8,099)
Actuarial (gains)/losses arising from liability experience	(924)	(27)	(3,679)	(4,630)
Employer contributions	133	(333)	1,564	1,364
	(831)	(146)	-	(977)
Net defined benefit liability/(asset) at 30 Jun 2023	(9,389)	(3,824)	34,957	21,744

Reconciliation of the fair value of Fund Assets

30 Jun 2024	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Fair value of fund assets at 1 July 2023	67,962	7,870	128,647	204,479
Interest income	3,615	420	6,798	10,833
Actual return on Fund assets less interest income	1,146	120	2,151	3,417
Employer contributions	656	130	-	786
Contributions by participants	365	-	-	365
Benefits paid	(5,678)	(778)	(12,899)	(19,355)
Taxes, premiums and expenses paid	253	20	1,013	1,286
Fair value of fund assets at 30 Jun 2024	68,319	7,782	125,710	201,811

30 Jun 2023	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Fair value of fund assets at 1 July 2022	66,196	7,451	128,451	202,098
Interest income	3,316	373	6,427	10,116
Actual return on fund assets less interest income	2,642	312	5,144	8,098
Employer contributions	831	146	-	977
Contributions by participants	398	-	-	398
Benefits paid	(5,147)	(386)	(12,112)	(17,645)
Taxes, premiums and expenses paid	(274)	(26)	737	437
Fair value of fund assets at 30 Jun 2023	67,962	7,870	128,647	204,479

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 28. Retirement benefit obligations (continued)

Reconciliation of the Defined Benefit Obligation

30 Jun 2024	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Present value of defined benefit obligations at 1 July 2023	58,574	4,046	163,602	226,222
Current service cost	178	144	-	322
Interest cost	3,074	203	8,745	12,022
Contributions by participants	365	-	-	365
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	1,337	186	3,241	4,764
Actuarial (gains)/losses arising from liability experience	(80)	90	(1,310)	(1,300)
Benefits paid	(5,679)	(778)	(12,899)	(19,356)
Taxes, premiums and expenses paid	253	20	1,013	1,286
Present value of defined benefit obligations at 30 Jun 2024	58,022	3,911	162,392	224,325

30 Jun 2023	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Present value of defined benefit obligations at 1 July 2022	61,145	4,451	168,556	234,152
Current service cost	215	156	-	371
Interest cost	3,028	211	8,537	11,776
Contributions by participants	398	-	-	398
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	(924)	(27)	(3,680)	(4,631)
Actuarial (gains)/losses arising from liability experience	133	(333)	1,564	1,364
Benefits paid	(5,147)	(386)	(12,112)	(17,645)
Taxes, premiums and expenses paid	(274)	(26)	737	437
Present value of defined benefit obligations at 30 Jun 2023	58,574	4,046	163,602	226,222

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 28. Retirement benefit obligations (continued)

Fair value of Fund assets

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

30 Jun 2024	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Asset category				
Short term securities	2,284,654	207,875	-	2,492,529
Australian fixed interest	-	91,776	-	91,776
International fixed interest	-	1,015,170	11,726	1,026,896
Australian equities	4,491,341	1,545,025	-	6,036,366
International equities	14,704,964	140,680	3,896	14,849,540
Property	-	-	2,100,819	2,100,819
Alternatives	2,865	2,864,176	7,592,814	10,459,855
Total assets	21,483,824	5,864,702	9,709,255	37,057,781

30 Jun 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Asset category				
Short term securities	2,896,493	2,434,323	-	5,330,816
Australian fixed interest	-	100,350	-	100,350
International fixed interest	-	1,288,564	12,473	1,301,037
Australian equities	4,352,503	796,671	4,528,929	9,678,103
International equities	13,942,743	155,394	39,901	14,138,038
Property	-	-	769,724	769,724
Alternatives	179	1,206,068	4,852,952	6,059,199
Total assets	21,191,918	5,981,370	10,203,979	37,377,267

Refer to note 31 for information of the three level hierarchy.

Fund assets

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

	30 Jun 2024 %	30 Jun 2023 %
Short term securities	6.7%	14.3%
Australian fixed interest	0.2%	0.3%
International fixed interest	2.8%	3.5%
Australian equities	16.3%	25.9%
International equities	40.1%	37.8%
Property	5.7%	2.0%
Alternatives	28.2%	16.2%
Total	100.0%	100.0%

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 28. Retirement benefit obligations (continued)

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

Fair value of entity's own financial instruments

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

Of the direct properties owned by the Pooled Fund:

- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of $385 million (30 June 2023: $338 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund. The Corporation vacated this property prior to 30 June 2024.

Significant actuarial assumptions at the reporting date

	30 Jun 2024	30 Jun 2023
Discount rate	5.48%	5.57%
Salary increase rate (excluding promotional increases	4.56% 24/25; 3.80% 25/26; 3.78% 26/27; 3.80% 27/28; 3.70% pa thereafter	4.45% for 23/24, 2.95% for 24/25, 2.74% for 25/26, 3.20% pa thereafter
Rate of CPI increase	4.25% 23/24; 3.00% 24/25; 2.75% 25/26; 2.50% pa thereafter	6.65% for 22/23; 3.50% for 23/24; 3.00% for 24/25; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are those that were used for the 2021 Actuarial Investigation of the Pooled Fund.	The pensioner mortality assumptions are those used for the 2021 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report on the trustee's website. The report shows the pension mortality rates for each age.

Sensitivity Analysis

The entity's total defined benefit obligation as at 30 Jun 2024 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 Jun 2024.

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

30 Jun 2024	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above: -0.5% pa	as above: +0.5% pa	as above	as above	as above	as above
Rate of CPI increase	as above	as above	as above	as above: +0.5% pa	as above: -0.5% pa	as above	as above
Salary inflation rate	as above	as above	as above	as above	as above	as above: +0.5% pa	as above: -0.5% pa
Defined benefit obligation $'000	224,326	234,383	214,975	234,385	214,920	224,782	223,881

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 28. Retirement benefit obligations (continued)

30 Jun 2024	Base case	Scenario G Lower mortality*	Scenario H Higher mortality**
Defined benefit obligation $'000	224,326	232,035	216,668

30 June 2023	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above: -0.5% pa	as above: +0.5% pa	as above	as above	as above	as above
Rate of CPI increase	as above	as above	as above	as above: +0.5% pa	as above: -0.5% pa	as above	as above
Salary inflation rate	as above	as above	as above	as above	as above	as above: +0.5% pa	as above: -0.5% pa
Defined benefit obligation $'000	226,223	236,572	216,610	236,494	216,630	226,744	225,715

30 Jun 2023	Base Case	Scenario G Lower mortality*	Scenario H Higher mortality**
Defined benefit obligation $'000	226,223	228,327	224,194

* Assumes mortality rates, including future improvements, are as if the pensioner were 1 year younger than actual.
** Assumes mortality rates, including future improvements, are as if the pensioner were 1 year older than actual.

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

Asset-liability matching strategies

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

Funding arrangements

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

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

Surplus/deficit

The following is a summary of the 30 June 2024 financial position of the fund calculated in accordance with AASB 1056 '*Superannuation Entities*':

30 Jun 2024	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Accrued benefits*	54,916	4,250	141,089	200,255
Net market value of fund assets	(68,320)	(7,782)	(125,710)	(201,812)
Net (surplus)/deficit	(13,404)	(3,532)	15,379	(1,557)

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 28. Retirement benefit obligations (continued)

30 Jun 2023	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Accrued benefits*	56,172	4,420	141,853	202,445
Net market value of fund assets	(67,963)	(7,870)	(128,646)	(204,479)
Net (surplus)/deficit	(11,791)	(3,450)	13,207	(2,034)

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

The AASB 1056 deficit (surplus) is lower (higher) than the AASB 119 net defined benefit liability (asset) recognised in the Statement of Financial Position, because the expected after-tax rate of return on plan assets is typically higher than the government/corporate bond rate.

Value of Vested Benefits at 30 June 2024:
201,954,130

Contribution recommendations

Recommended contribution rates for the entity are:

	SASS 30 Jun 2024	SASS 30 Jun 2023	SANCS 30 Jun 2024	SANCS 30 Jun 2023	SSS 30 Jun 2024	SSS 30 Jun 2023
Multiple of member contributions	1.9	1.9	-	-	1.6	1.6
% member salary		-	2.50%	2.50%	-	-

Economic assumptions

The economic assumptions adopted for 30 Jun 2024 AASB 1056 '*Superannuation Entities*':

Weighted-average assumptions	
Expected rate of return on fund assets backing current pension liabilities	7.0% pa
Expected rate of return on fund assets backing other liabilities	6.2% pa
Expected salary increase rate (excluding promotional salary increases)	4.56% 24/25; 3.80% 25/26; 3.78% 26/27; 3.80% 27/28; 3.70% pa thereafter
Expected rate of CPI increase	3.70% for 23/24; 2.50% pa thereafter

Movement in AASB1056 Net Deficit/(Surplus)

	A$
The increase/(decrease) in the net deficit AASB1056 position from June 2023 to June 2024 was:	477,627
The main factors contributing to the increase/(decrease) and their approximate financial impact have been:	
a. interest on 2023 net deficit/(surplus) (7.0%):	(169,890)
b. Lower increase in the 2022/2023 CPI (6.60%) than assumed (6.65%):	(80,298)
c. Changes in assumed rates of future CPI and Salary increases (refer assumptions above and 2023 report):	103,503
d. Excess of the actual investment return for 2024 (approx 7.3%) over that assumed (7.0%):	(529,380)
e. Shortfall/(Excess) of contributions made over the cost of benefit accrual:	(441,728)
f. Change to demographic assumptions:	4,258,978

These are the main items. Other items would include variations in salary, pensioner mortality and other experience compared to assumptions.

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 28. Retirement benefit obligations (continued)

Sensitivity analysis - AASB 1056

Scenarios A and D relate to the sensitivity of the AASB 1056 liabilities to the major economic assumptions.

30 Jun 2024	Base Case	Scenario A -0.5 % return	Scenario B +0.5 % return	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Expected rate of return on Fund assets	7.0%/6.2%	6.5%/5.7%	7.5%/6.7%	7.0%/6.2%	7.0%/6.2%
Rate of CPI increase	as above	as above	as above	as above +0.5% pa	as above -0.5% pa
Salary inflation rate	as above	as above	as above	as above	as above
Accrued Benefits $'000	200,255	207,343	193,636	207,418	193,538

30 Jun 2023	Base Case %	Scenario A -0.5 % Discount rate	Scenario B +0.5 % Discount rate
Expected rate of return on fund assets	7.0%/6.2%	6.5%/5.7%	7.5%/6.7%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Accrued Benefits $'000	202,445	209,625	195,742

Expected contributions

30 June 2025	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Expected employer contributions	589	116	-	705

30 June 2024	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Expected employer contributions	694	131	-	825

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 8.8 years (2023: 9.1 years).

Profit or loss impact

For the year ended 30 Jun 2024	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Current service cost	178	144	-	322
Net interest	(541)	(217)	1,947	1,189
Profit or loss component of the defined benefit cost	(363)	(73)	1,947	1,511

For the year ended 30 Jun 2023	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Current service cost	215	156	-	371
Net interest	(288)	(162)	2,110	1,660
Profit or loss component of the defined benefit cost	(73)	(6)	2,110	2,031

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 28. Retirement benefit obligations (continued)

Other comprehensive income

For the year ended 30 Jun 2024	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Actuarial (gains) losses on liabilities	1,257	276	1,930	3,463
Actual return on fund assets less interest income	(1,146)	(120)	(2,151)	(3,417)
Total remeasurement in other comprehensive Income	111	156	(221)	46

For the year ended 30 Jun 2023	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Actuarial (gains) losses on liabilities	(791)	(361)	(2,115)	(3,267)
Actual return on fund assets less interest income	(2,642)	(312)	(5,144)	(8,098)
Total remeasurement in other comprehensive income	(3,433)	(673)	(7,259)	(11,365)

Recognition and measurement

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

The Corporation's net obligation for defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; this benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. Expected future payments are discounted using market yields at the reporting date on high-quality corporate bonds. Terms to maturity and currency match as closely to the estimated future cash outflows.

Calculations are performed by the Pooled Fund's actuary using various assumptions such as discount rate, future salary increases, mortality rates and future pension increases.

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

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

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

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 29. Contributed equity

	30 Jun 2024 $'000	30 Jun 2023 $'000
Capital contribution	491,706	491,706

Ordinary shares

The Corporation's capital comprises two fully paid $1 ordinary shares issued to:

- The Minister for Finance and Natural Resources and
- The Treasurer.

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

Capital management policy

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

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

Recognition and measurement

Contributed equity represents the NSW Government's investment in the Corporation. There were no changes in the year ended 30 June 2024.

Note 30. Financial instruments

Financial risk management objectives

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

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

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

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 30. Financial instruments (continued)

Market risk

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

NSW Treasury Corporation (TCorp) manages interest rate risk exposures applicable to Fixed Loans State Guaranteed borrowings of the Corporation in accordance with a debt portfolio mandate agreed between the two parties.

Interest rate risk

Exposure to interest rate risk arises primarily through the Corporation's interest-bearing liabilities. This risk is minimised by undertaking long-term fixed rate borrowings and short-term Come & Go facility with The NSW Treasury Corporation ('NSW TCorp').

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

	30 June 2024 $'000	30 June 2023 $'000
Approximate increase (decrease) in fair value of financial liabilities assuming 1 percentage point decrease (increase) in interest rates	1,989	2,102

Price risk sensitivity

The Corporation had ceased investment in TCorp IMF funds in 2024. In 2023 the price sensitivity from change in unit prices (as advised by the NSW TCorp) were +/-10% multiplied by redemption value amounted to +/-$5,179 983.

Credit risk

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

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

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

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 30. Financial instruments (continued)

Credit risk associated with the Corporation's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW T-Corp are guaranteed by the State and are rated as S&P AA+ (stable).

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

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

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

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

The Corporation has proactively managed customer exposure through implementation of payment plans and the use of frequent credit assessments. A substantial majority of trade receivables are derived from sales to timber sawmills. The 10 largest customers in each of the operating divisions, accounted for 72% of forests sales revenue for 2024 (2023: 78%). Additionally, these customers accounted for 64% of our accounts receivable as of 30 June 2024 (2023:69%).

Liquidity risk

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

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

The Corporation has utilised $19.7m of short-term Come & Go facility (un-used balance of $30.3m) and $50.3m of long-term borrowings (un-used balance of $69.7m) to manage liquidity risk and ensure that it can meet its payment obligation as they fall due.

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

Remaining contractual maturities

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

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 30. Financial instruments (continued)

30 Jun 2024	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade creditors	-	37,235	-	-	-	37,235
Other current liabilities	-	661	-	-	-	661
Community services obligation and government grants	-	8,898	-	-	-	8,898
Interest-bearing -Fixed						
NSW TCorp loans	2.75%	25,830	1,120	20,852	27,876	75,678
Interest-bearing						
Lease liability	5.77%	221	169	2,565	3,284	6,239
Total non-derivatives		72,845	1,289	23,417	31,160	128,711

30 Jun 2023	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade creditors	-	42,518	-	-	-	42,518
Other current liabilities	-	661	-	-	-	661
Community services obligation and government grants	-	36,696	-	-	-	36,696
Interest-bearing -Fixed						
NSW TCorp loans	2.14%	9,225	5,879	8,023	32,953	56,080
Interest-bearing						
Lease liability	5.35%	42	226	607	3,844	4,719
Total non-derivatives		89,142	6,105	8,630	36,797	140,674

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

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 31. Fair value measurement

The fair value measurements for interest bearing loan and borrowings are determined by NSW TCorp and have been categorised as level 2 fair values using the observable curves combined with margins derived from appropriate benchmarks/comparators.

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

Fair value hierarchy

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

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

30 Jun 2024	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land (including Crown and Freehold land)	-	1,387,982	-	1,387,982
Building	-	-	17,141	17,141
Roads and bridges	-	-	114,682	114,682
Investment properties	-	6,629	-	6,629
Biological assets	-	-	780,449	780,449
Total assets	-	1,394,611	912,272	2,306,883

30 Jun 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land (including Crown and Freehold land)	-	1,246,560	-	1,246,560
Building	-	-	13,146	13,146
Plant and equipment	-	29,805	5,004	34,809
Roads and bridges	-	-	112,257	112,257
Investment properties	-	6,520	-	6,520
Biological assets	-	-	626,260	626,260
Total assets	-	1,282,885	756,667	2,039,552

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

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 31. Fair value measurement (continued)

	30 Jun 2024		30 Jun 2023	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Liabilities				
Borrowings	50,321	44,627	50,492	44,174
Lease liabilities	4,551	4,551	4,719	4,719
	54,872	49,178	55,211	48,893

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

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

Land (includes Crown and freehold land), investment properties and plant and equipment (level 2)

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

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

Buildings, roads and bridges and other plant and equipment (level 3)

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

- estimated construction cost for each type of structure;
- estimated useful life for each type of structure; and
- assets condition as at valuation date.

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

Biological assets: current standing timber - softwood (level 3)

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

The key inputs used:

- current and estimated future timber market prices per tonne or square metre;
- estimated yield per hectare or estimated timber projections;
- current and industry benchmark direct and indirect costs; and
- discount rate of 9.50 % (2023:10.60%).

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 31. Fair value measurement (continued)

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

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

Level 3 assets

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

	Plant and equipment $'000
Balance at 1 July 2022	1,201
Disposals	(2)
Depreciation charged to profit or loss	(324)
Transfer from work in progress	4,130
Balance at 30 June 2023	5,005
Transfers into level 3	29,804
Additions	-
Disposals	(2,116)
Depreciation charged to profit or loss	(7,800)
Transfer from work in progress	9,679
Balance at 30 June 2024	34,572

For movements in level 3 assets disclosures refer to the following:

- note 16 for biological assets;
- note 17 for buildings, roads and bridges; and

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

30 June 2024			
Description	Unobservable inputs	Range (weighted average)	Sensitivity ($'000)
Biological assets	(i) Discount rate	+/-1%	1% change would (decrease)/increase fair value by (68,792)/82,511
	(ii) Expected future sales values	+/-5%	5% change would increase/(decrease) the fair value by 115,408/(115,408)
	(iii) Expected future costs	+/-5%	5% change would (decrease)/increase the fair value by ($81,901)/$81,901
	(iv) Expected future changes in volume	+/-5%	5% change would increase/(decrease) the fair value by $56,481/($56,481)
	(v) Fire risk at lower end	0.21%	0.21% change would decrease the fair value by 18,189
	(vi) Fire risk at higher end	0.35%	0.35% change would decrease the fair value by 30,193

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 31. Fair value measurement (continued)

30 Jun 2023

Description	Unobservable inputs	Range (weighted average)	Sensitivity ($'000)
Biological assets	(i) Discount rate	+/-1%	1% change would (decrease)/increase fair value by ($46,975)/$55,183
	(ii) Expected future sales values	+/-5%	5% change would increase/(decrease) the fair value by $93,149/($93,149)
	(iii) Expected future costs	+/-5%	5% change would (decrease)/increase the fair value by ($66,379)/$66,379
	(iv) Expected future changes in volume	+/-5%	5% change would increase/(decrease) the fair value by $47,176/($47,176)

Fire risk can impact the fair value measurement of the biological assets. The sensitivity table below illustrates how valuation may fluctuate at both higher and lower ends due to the fire risk factor.

Recognition and measurement

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

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

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

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

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 32. Commitments

	30 Jun 2024 $'000	30 Jun 2023 $'000
Capital expenditure commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	7,801	14,978

Amount disclosed as capital commitments includes GST of $709,000 (2023: $1,361,000) recoverable from the Australian Taxation Office.

Note 33. Contingent assets and liabilities

As at 30 June 2024, 667,706 hectares (2023: 709,498 hectares) of operational timber reserves were subject to claims under the Native Title Act. The impact of these claims cannot be quantified at this time.

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

Climatic events occur from time to time that impact the Corporation's ability to meet wood supply agreement volumes. The Corporation includes force majeure provisions in contracts to protect against force majeure events such as climatic events. Force majeure relieves the Corporation from contractual obligations to customers, such as minimum supply volumes, due to the force majeure events. It is therefore considered that potential claims are covered by force majeure and no estimate has been included at this stage.

Notices have been received for various alleged non-performances under environmental regulations and other legal actions The Corporation is working through the legal matters and it is not practical to estimate the potential effects at this stage.

Note 34. Key management personnel disclosures

Directors

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

Stefanie Loader	Chair - Board Member (Non-Executive)
Mary Verschuer (effective to 29.02.2024)	Board Member (Non-Executive)
Matthew Sexton (effective to 29.02.2024)	Board Member (Non-Executive)
Linda Sewell (effective to 30.06.24)	Board Member (Non-Executive)
Rob de Fegely	Board Member (Non-Executive)
Anshul Chaudhary	Chief Executive Officer

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 34. Key management personnel disclosures (continued)

Other key management personnel

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

Meredith Payne	General Manager Human Resources
Daniel Tuan	General Manager Hardwood Forests Division
Rachel Johnson	General Manager Softwood Plantation Division
Ross Dickson	General Manager Governance & Assurance and Company Secretary
Grant Steen - (effective to 06 Aug 2023)	Chief Financial Officer
Katrina Van Poppel - (effective from 23 Oct 2023)	Chief Financial Officer

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

Compensation

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

	30 Jun 2024 $'000	30 Jun 2023 $'000
Short-term employee benefits	2,499	2,418
Post-employment benefits	99	180
Long-term benefits	180	91
	2,778	2,689

Other transactions with key management personnel

Any transactions undertaken with key management personnel or entities related to them are conducted on an arm's length basis on commercial terms and conditions. In accordance with the requirements of TPG23-16 Related Party Disclosures, the Corporation discloses arm's length transactions in excess of $100,000.

During the financial year, the Corporation paid biological valuation audit fees conducted by Margules Groome Consulting Pty Ltd. The amount paid for work performed in the financial year totalling $114,867 (GST inclusive). One of the Non-Executive Board members of the Corporation was a Director and Shareholder of Margules Groome Consulting Pty Ltd and held this position as at 30 Jun 2024. Management has an Ethical Wall Agreement between the Corporation and Margules Groome Consulting to avoid conflict of interest.

There were three payments made to Radiata Pine Breeding Company Limited (RPBC) totalling $227,305.54 (GST inclusive). These payments were in relation to shareholder levies which are calculated based on the area under afforestation. One of the Executive Officers members of the Corporation has been the Chair for RPBC during the financial year.

Forestry Corporation of New South Wales

Notes to the financial statements

30 June 2024

Note 34. Key management personnel disclosures (continued)

Government-related entities

Government-related entities are those that are controlled or jointly controlled or significantly influenced by the NSW Government.

The government agencies where the Corporation has transactions with during the year are listed below:

Government agencies	Nature of transactions	Note reference
Regional NSW	Grant funding – Community Service Obligation	Note 5. Other Income
Department of Primary Industries	Drought relief Apiary permit	Note 5. Other Income
NSW Treasury Corporation	Borrowings and interest repayment	Note 10. Finance costs, Note 23. Borrowings
Revenue NSW	Income Tax, Land Tax, Payroll Tax	Note 8. Other operating expenses; Note 9. Employee Benefits; Note 11. Income tax
NSW Treasury	Dividends	Note 24. Dividends payable
NSW Treasury	Government Guarantee Fee	Note 10. Finance costs
NSW Rural Fire Service	Grant funding FY24 for the update of fire prevention/monitoring technology and Property Plant & Equipment acquisition	Note 5. Other Income & Note 17. Property Plant & Equipment

Note 35. Remuneration of auditors

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

	30 Jun 2024 $	30 Jun 2023 $
Audit services - The Audit Office of New South Wales		
Audit of the financial statements (excluding GST)	330,000	340,000

Note 36. Events after the reporting period

In July 2024, the Corporation issued Force Majeure notices under the provisions of its Wood Supply Agreements as result of past events disrupting the Corporation's ability to meet its contractual obligations in the 2023-24 financial year. The Corporation is working with the affected customers with regard to these notices.

Forestry Corporation of New South Wales

Director's declaration

30 June 2024

Pursuant to the *Government Sector Finance Act 2018*, the Government Sector Finance Regulation, the *Forestry Act 2012* and in accordance with a resolution of the Board of Directors, we declare on behalf of Forestry Corporation of New South Wales that in our opinion:

- The financial statements have been prepared in accordance with the Australian Accounting Standards, the relevant requirements of the *Government Sector Finance Act 2018*, the Government Sector Finance Regulation 2024, the Treasurer's Directions and the *State Owned Corporations Act 1989*.
- We are not aware of any circumstances at the date of this declaration that would render any particulars included in the financial statements to be misleading or inaccurate;
- the attached financial statements and notes presents fairly the Corporation's financial position, financial performance and cash flows.
- There are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

On behalf of the Directors

Stefanie Loader
Chair
17 September 2024

Anshul Chaudhary
Chief Executive Officer

End of the audited financial statements

INDEPENDENT AUDITOR'S REPORT

Forestry Corporation of New South Wales

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Forestry Corporation of New South Wales (the Corporation), which comprise the Directors' Declaration, the Statement of profit or loss and other comprehensive income for the year ended 30 June 2024, the Statement of financial position as at 30 June 2024, the Statement of changes in equity and the Statement of cash flows, for the year then ended, notes comprising material accounting policies, and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2024 (GSF Regulation) and the Treasurer's Directions
- presents fairly the Corporation's financial position, financial performance and cash flows.

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

Basis for Opinion

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

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

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

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

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

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

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2024. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters. I have determined the matters described below to be the key audit matters to be communicated in my report.

Key Audit Matters	How my audit addressed the matters
Fair value measurement of biological assets	
At 30 June 2024, the Corporation's statement of financial position reported $780 million in biological assets measured at fair value. A fair value gain of $137 million was recognised in the statement of profit or loss and other comprehensive income for the year ended 30 June 2024. We consider this to be a key audit matter because: • the biological assets are financially significant to the statement of financial position • the valuation model used to value the biological assets is complex and involved significant judgements and assumptions • changes in assumptions, such as the discount rate, timber demand, yield predictions, future selling prices and cost assumptions, can significantly affect the fair value. Further information on valuation techniques, inputs and sensitivity for biological assets is disclosed in Note 16 and Note 31.	Key audit procedures included: • obtaining an understanding of the Corporation's approach to estimating fair value of biological assets • assessing qualifications, competence and objectivity of management's expert • engaging a forestry valuation expert to review the valuation model and reasonableness of key judgements and assumptions • validating the inputs to the valuation, including the growth and yield predictions, future selling prices, cost assumptions and discount rate • reviewing the mathematical accuracy of the valuation model • assessing the valuation methodology and disclosures for compliance with the requirements of the Australian Accounting Standards.
Valuing of defined benefit superannuation liabilities	

At 30 June 2024, the Corporation's statement of financial position reported net defined benefit superannuation liabilities totalling $22.5 million. This liability balance is provided to the Corporation by the Administrator of the SAS Trustee, based on an independent actuarial assessment.
We consider this to be a key audit matter because:
• the defined benefit superannuation liability is financially significant to the statement of financial position
• the underlying liability valuation model (the model) is complex due to the significant degree of judgement required to determine key assumptions used to value the liability
• the value of the liability is sensitive to minor changes in valuation inputs.
Further information on the significant actuarial assumptions and sensitivity analysis is disclosed in Note 28.
	Key audit procedures included:
	• obtaining an understanding of the processes and key controls in place supporting the:
	  – membership data used in the model
	  – defined benefit superannuation liability calculation.
	• assessing the completeness and accuracy of the membership data used in the model
	• assessing qualifications, competence and objectivity of actuarial experts
	• with the assistance of actuarial experts reviewing the methodology and key assumptions for reasonableness
	• assessing the adequacy of the financial statement disclosures against the requirements of Australian Accounting Standards and Treasurer's Directions.

Directors’ Responsibilities for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar6.pdf . The description forms part of my auditor’s report.

The scope of my audit does not include, nor provide assurance:

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

Karen Taylor
Delegate of the Auditor-General for New South Wales

17 September 2024
SYDNEY

Publication orders

Enforceable undertaking

In 2023, Forestry Corporation of NSW (Forestry Corporation) entered into a $500,000 undertaking with the Environment Protection Authority (EPA) after one of its contractors harvested 17 trees from Riparian Exclusion Zones in the Coopernook State Forest (Forest) in December 2021 (Incident).

The EPA considered that the Incident caused actual harm to the environment and that it breached the *Forestry Act 2012*. The Incident temporarily reduced the available habitat for local ecological communities. It also temporarily removed canopy cover provided by the harvested trees that served to reduce soil disturbance, erosion and sediment runoff into nearby drainage lines.

In response to the Incident, Forestry Corporation conducted an incident review and disclosed the Incident to the EPA. Forestry Corporation also suspended the forestry operation, fined the contractor, and re-trained the harvesting crew prior to the resumption of forestry operations in the Forest.

The enforceable undertaking required Forestry Corporation to undertake four projects, valued at $500,000:

- Develop and test an industry-first in-cab Boundary Warning Prototype to improve operational boundary management, worth $150,000.
- Improve its Corporate Website to better inform external stakeholders about forestry operations conducted under the Coastal Integrated Forestry Operations Approval, worth $150,000.
- Establish, monitor and maintain breeding sites for threatened frog species in the Olney State Forest, worth $100,000.
- Establish and maintain a nature-themed playground at the Forest Camping Ground that will cater for an expanded visitor demographic, worth $100,000.

Forestry Corporation of NSW convicted of felling hollow-bearing trees in Mogo State Forest

Forestry Corporation of NSW has been convicted in Batemans Bay Local Court and ordered to pay a fine of $20,000 for contravening a requirement of its forestry operations approval. The prosecution was brought by the Environment Protection Authority.

During March 2020, Forestry Corporation of NSW carried out harvesting operations in Mogo State Forest near Batemans Bay.

At the time, Forestry Corporation of NSW was under an obligation to retain all hollow-bearing trees, but four hollow-bearing trees were felled during the course of harvesting operations.

As a result, the harvesting operations caused loss of habitat features for hollow-using species, increased competition for aerial hollows used by faunal species, and caused a deterioration in potential habitat qualities for larger arboreal marsupials and owl species in the future.

On 30 November 2023, Batemans Bay Local Court convicted Forestry Corporation of NSW of the offence and ordered Forestry Corporation of NSW to:

1. Pay a fine of $20,000;
2. Pay the EPA's legal costs; and
3. Publish this notice.

Index

Forestry Corporation Annual Report 2023–24

Written and compiled by Forestry Corporation of NSW

Design – Ross Longley

Photography © Forestry Corporation Image Library

Published by Forestry Corporation of NSW

ISSN 2202-9877

FCNSW1049

Forestry Corporation

forestrycorporation.com.au