Forestry Corporation

Annual Report
2021–22

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 2022

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

The Hon. Damien Tudehope, MLC
Minister for Finance and Minister for Employee Relations
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 2022 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

Mary Verschuer
Director and Chair Audit and Risk Committee

About us

Forestry Corporation of NSW sustainably grows and manages the ultimate renewable resource – our State forests.

State forests both contribute to and complement NSW's conservation estate, delivering a range of benefits to communities, from access for tourism and recreation to protection of cultural heritage, fire protection and renewable timber production.

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

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

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

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

to aid rapid detection and early suppression of fires in State forests.

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

Strategic operating guidance is set out under in the Statement of Expectations and is found at www.forestrycorporation.com.au.

Sustainable business

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

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

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

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

Responsible Wood
RW/1-21-5

Sustainably Grown Australian Made

PEFC
PEFC/21-23-05

Chair and CEO message

As the world's focus sharpens on mitigating the scale and impacts of climate change, renewable resources have never been more important. The forests managed by Forestry Corporation of NSW (Forestry Corporation) not only sequester carbon and maintain biodiversity, but they also produce the most renewable building product available.

As NSW's most significant supplier of renewable timber and one of the state's largest public land managers, our objective is to manage thriving forests that deliver economic, environmental and community value while producing a continuous supply of wood products. Our new strategy which is centred around our ethos of Care, Connect and Grow for a better future, truly encapsulates who we are as we look to the future to deliver across these three key pillars.

In the year ended 30 June 2022 (FY22), we experienced a third consecutive year of natural disasters. While our focus has been on recovery and rebuilding, we are also taking steps to regrow a more resilient business that carefully balances social, environmental and financial considerations to deliver value to the community.

Strong markets drive demand, weather restricts supply

Financial results exceeded expectations, thanks largely to strong demand for timber and additional value recovered from fire-affected plantations. While wet weather and flooding restricted production in coastal hardwood forests, both operating divisions delivered better than expected financial returns, with increased market prices for softwood products in particular lifting the overall result. Total comprehensive income for the year was markedly higher than the previous year at $81 million (FY21: $19 million). Normalised earnings[1], which are used as a measure of underlying performance, were also higher than budget at $38 million (FY21: $27 million).

In the immediate aftermath of the 2019-20 Black Summer fires, the NSW Government relieved Forestry Corporation of its dividend obligations to enable reinvestment in the initial recovery program. While replanting and rebuilding efforts will continue for several years to come, solid financial results enabled the corporation to return to a dividend paying position earlier than projected and declare a modest $400,000 dividend in FY22 (FY21: $0).

Stronger than expected financial returns have also allowed us to consider opportunities to expand the state-owned plantation estate.

Action taken on environmental compliance

We are entrusted to manage forests for multiple uses, including timber production, in line with environmental regulations. We strive to achieve the strict compliance incorporated in the environmental regulations, which reflect world-class environmental standards. Regrettably, during FY22, Forestry Corporation received seven convictions from two forestry operations and four penalty infringement notices (PINs) from two forestry operations. These operations took place between 2018 and 2020. Three prosecutions remain to be heard in FY23.

We take our compliance obligations very seriously. Since the incidents that led to the prosecutions and PINS occurred, we recalibrated our compliance practice by establishing a specialised compliance team, increased staff on the ground to improve compliance, retrained staff and contractors in environmental regulations and improved equipment and technology. As part of our commitment to sustainable forest management for the long term, we will continue to invest in improved environmental compliance, which will be a primary focus into FY23 and beyond.

During the year both operating divisions also underwent an independent audit process to be recertified to the internationally recognised Responsible Wood standard and were successfully recertified for a further three years. Responsible Wood is the Australian representative of the global standard for forestry certification known as Programme for Endorsement for Forest Certification (PEFC). Our Forest Management Plans were also reviewed and placed on public display to invite feedback on the principles and systems that underpin our forest management.

Natural disaster recovery continues

Investment in regrowing and rebuilding following the 2019-20 fires and subsequent floods continued in FY22. A record 16 million seedlings were planted in the 2021 calendar year to regrow more than 15,000 hectares of softwood and hardwood timber plantations, with wet conditions supporting excellent seedling survival and growth. A further 14.5 million seedlings are being planted during the 2022 calendar year, with our post-fire restocking program now expected to be completed by 2026, well ahead of schedule.

While the newly-established seedlings have benefited from wet conditions, a second consecutive year of above average rainfall and widespread flooding caused significant additional damage to forest roads and infrastructure. The

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

> ***"Solid financial results enabled the corporation to return to a dividend paying position.***

damage was particularly pronounced in the coastal hardwood forests, where many roads and bridges will require extensive structural repairs or bridge replacement.

Forest roads are maintained for community access, fire management and the timber industry, with roads in coastal hardwood forests used extensively by local communities for recreation and tourism, to access properties and to move between towns. In recognition of the importance these assets hold for local communities, the NSW Government committed $60 million over three years to repair forest road and bridge infrastructure in flood-affected areas. We welcome this grant, which will go a long way towards ensuring we continue to provide access to our State forests for the community. We are also working in close collaboration with the NSW Rural Fire Service to implement recommendations from the bushfire inquiries, including upgrading fleet, tankers, radio systems and fire trails, supported by grant funding.

Stepping up our safety investment

The safety of our people is paramount. Considerable effort and investment was made during the year to step up the safety focus across the workforce.

There was a slight improvement in the lost time injury frequency rate (LTIFR), which decreased to 9.3 per million hours worked during FY22 (FY21: 9.5). However, the total recordable injury frequency rate (TRIFR), including contractors, increased to 17.6 per million hours worked (FY21: 14.6). The majority of injuries are due to manual tasks and slips, trips and falls that lead to soft-tissue injuries.

Our safety focus during the year included investment in additional safety staff in operational regions, piloting of proactive injury-prevention programs and engaging staff and contractors in training and information sharing. Our aim is for everyone to return home safe, every day and we will continue to work with our staff and contractors to achieve this.

Taking care of our people

FY22 was a rather challenging year for our people, with the global pandemic creating significant workplace disruption. We worked together with staff to keep them safe during the height of COVID-19, undertaking workplace risk assessments and implementing COVID-safe policies and practices across the organisation.

Investment in our staff continued, with leadership training for managers and supervisors and key focus areas promoting women in forestry and respect in the workplace. It was encouraging to see our diversity and inclusion measures boost female participation to an all-time high of 25 per cent. Of course, we will continue to work not only in this area, but across all facets of diversity to improve participation and ensure our organisation is inclusive and future-focused.

Partnering for shared value

We maintain two million hectares of public land on behalf of, and in partnership with, local communities. State forests host award winning tourism destinations, social enterprises managed by Aboriginal communities and hundreds of kilometres of mountain bike tracks managed by local clubs.

During FY22 we continued to support a range of exciting community-based projects including the establishment of Guulabaa – Place of Koala, a major new partner-project in Cowarra State Forest near Port Macquarie that will include Australia's first wild koala breeding facility, a café and gallery run by the local Aboriginal community and other new tourism drawcards.

A renewable future

Timber is the ultimate renewable resource and one that will play an increasingly important role in mitigating climate change into the future. As the world faces our changing climate, we are investigating new opportunities to reduce our carbon footprint and exploring the potential to generate clean energy alongside renewable timber production.

Amendments to the *Forestry Act 2012* during the year enabled the potential development of renewable energy infrastructure in exotic pine plantations. A market process is well underway to identify suitable opportunities. Managing plantations for environmentally sustainable timber production remains the priority, but the international experience shows that plantations and clean energy can operate hand in hand and we are enthusiastic about the potential benefits these projects will deliver in NSW.

Timber has been grown and regrown in the same forests for more than 100 years and we are proud to grow the ultimate renewable resource. Trees sequester carbon, and once harvested, the timber continues to store carbon for the life of the product while a new tree is grown in its place.

We want to thank and acknowledge our outgoing chair, James M. Millar AM for his commitment and steerage of the Corporation over the past 10 years. The Board has been refreshed over the past 18 months and is committed to the new direction outlined for the coming years.

We are sharpening our focus on environmental management, strengthening our partnerships to develop innovative new tourism and conservation ventures and investigating the exciting new prospect of establishing renewable energy infrastructure within softwood plantations. As we move into FY23, our focus will be on caring, connecting and growing our business to maximise the environmental, economic and social value of our State forests to the NSW community.

Stef Loader, Chair

Anshul Chaudhary, CEO

Softwood Plantations Division

Prices and salvage lift revenue

The effects of the 2019-20 fires began to flow through to softwood timber supply in FY22 after two years of increased production as timber was salvaged from plantations. However, strong markets, high prices and the continuation of some salvage operations well beyond expectations cushioned the impact on revenue and earnings.

Normalised earnings[1] for the Softwood Plantations Division remained steady at $47 million (FY21: $47 million). While notably less than previous years, this was $16 million above budget, reflecting the uplift in sawlog prices as market demand continues to outpace supply as well as ongoing salvage operations.

Milder conditions also facilitated the extension of the timber salvage program. In general, fire-affected products are expected to be salvageable for around 12-18 months, but mild and wet weather conditions preserve the timber for a longer period. Favourable conditions in Bombala enabled the salvage program to continue into FY22, delivering more than 130,000 additional tonnes of merchantable products. The division also benefited from the insurance recovery of the additional costs involved in working with salvage timber post the 2019-20 fires.

Ongoing investment in recovery

Replanting costs remained elevated as investment in fire recovery continued. While softwood plantation operations and infrastructure were not significantly impacted by the extreme wet weather that impacted coastal forests, wind and snow caused substantial damage to some plantations in Bathurst requiring a small-scale timber salvage operation in that region.

The replanting program progressed ahead of target, with record numbers of seedlings grown and planted to restock fire-affected plantations. More than 15 million pine seedlings were planted in the 2021 calendar year and a further 13 million are expected to be planted in the 2022 season. More than 30,000 hectares of softwood plantations have been restocked over two planting seasons and plantations are now expected to be fully restocked by the end of 2026.

At 99 per cent, survival rates were remarkable. This is testament to the investments made over the years prior to the fires in assuring the quality of the seedlings grown in the production nurseries and maintaining robust transport, handling and planting processes to maximise survival.

Around a third of the division's supply is traditionally generated from the plantations around Tumut and Tumbarumba, where fires caused extreme damage. From FY22, new contracts commenced that effectively halve timber supply in this region while the fire-affected plantations regrow. Local timber supply will be supplemented by timber from Walcha, which has previously been exported due to the absence of a local processor.

This diversion was facilitated by a Ministerial direction, which entailed Government contribution to contract adjustments and infrastructure costs required to transport timber over considerably larger distances. Rail transport is being established to enable safer and more cost-effective delivery, and this is expected to be operational in FY23.

Work to align contracts to the available resource also continued in Bombala, where new harvest and haul contracts commenced, and Grafton, where an expressions of interest process got underway to establish a new long-term processor in place of the mill destroyed in the 2019-20 fires.

New opportunities for renewable energy

The passage of the Energy Legislation Amendment Bill by NSW Parliament during the year opened the door to the prospect of managing renewable energy and renewable timber side-by-side. The bill amended the *Forestry Act 2012* to enable renewable energy infrastructure such as wind farms to be established in State forest pine plantations for the first time. Strict requirements limit the footprint of developments and ensure an ongoing supply of renewable timber from plantations.

A staged market process has commenced to identify opportunities that align with forest management objectives and ongoing renewable timber production. Close to 50 renewable energy providers registered their interest in the first stage, identifying the potential to generate up to 2.5 gigawatts of energy by installing wind turbines in just five sites. Work will continue into FY23 to further explore potential developments.

Changes to area under management

While re-establishing plantations remains a primary focus, opportunities to expand the state-owned plantation estate continue to be actively pursued as part of our strategy. Towards the end of the financial year, the division applied to the Australian Competition and Consumer Commission (ACCC) for approval to acquire a private plantation

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

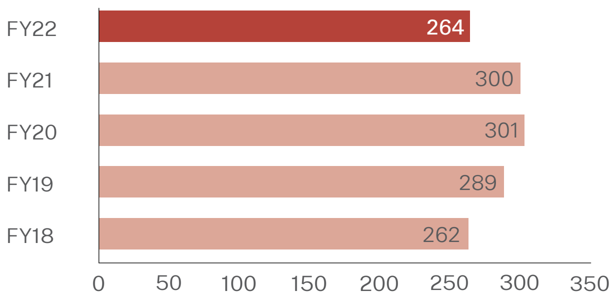
estate in NSW. Prior to the publication of this report the ACCC released a statement of issues and indicated they would move to a second stage review.

A number of areas, including parts of Newnes, Wolgan and parts of Ben Bullen State Forests were recognised for their exceptional conservation value and moved into the newly-established Gardens of Stone Reserves during the reporting period. The division has a long history of managing these forests solely for conservation and recreation and their transfer to the Gardens of Stone Reserve is a recognition of the values that have been protected through this management. These areas will now be consolidated with the adjoining national park estate. The National Parks and Wildlife Service has also been appointed as the land manager for some flora reserves managed by the division where the areas have high conservation value and their management can be streamlined with adjoining reserves.

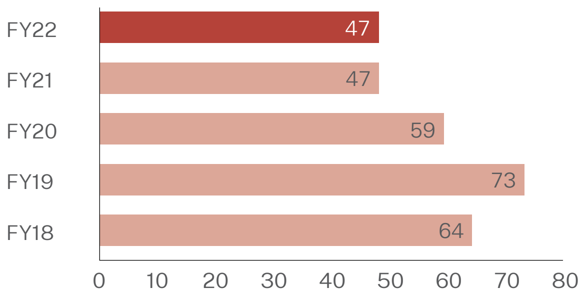
New General Manager appointed

After five years as General Manager of the Softwood Plantations Division and following the successful completion of the largest ever fire salvage and recovery program, Mike Beardsell has decided to step away from the role. Rachel Johnson commenced as General Manager in August 2022, bringing substantial experience from a range of industries and a strong safety focus. Rachel will lead the division through the next phase of rebuilding and regrowing the State's softwood plantations for the future.

Softwood Revenue[1] ($m)



Softwood: Normalised earnings[2] ($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

Natural disasters impact production

Approximately 80 per cent of the public native forest in NSW is permanently set aside for conservation, predominately in the national parks estate. The Hardwood Forests Division manages around seven per cent of the total native forest in NSW to facilitate multiple uses, including tourism, access for primary industries and renewable timber production, with around half the area permanently protected for conservation.

The cost of managing these two million hectares of public forest is subsidised by timber sales, which are the primary source of revenue, and a Community Services Obligation grant provided as a fee for service. The division's financial objective is to maintain a cost neutral position which it had been achieving for many years until the 2019-20 bushfires. Since the fires, the level of investment in land management has been maintained, despite reductions in revenue from timber due to a range of environmental and weather constraints.

The year ended 30 June 2022 brought widespread wet weather and flooding to the coastal regions of NSW for the second consecutive year, limiting timber production and sales revenue and causing substantial additional damage to forest roads and infrastructure. Western region was not impacted by the flooding, but a localised salvage operation was required in the Northern Cypress district due to a tornado that hit parts of western NSW.

Floods and wet weather constrain native forest operations and as a result hardwood supply contracts could not be met in the coastal forests. The value of timber sales also declined as the flood impacts disproportionately affected the north coast, which produces more high value high quality sawlog products than other regions.

As a result, normalised earnings were below breakeven at -$9 million (FY21: -$20 million), adjusted to -$5 million if fire recovery costs are excluded (FY21: -$6 million). These results are significantly better than the prior year and the division is on a trajectory to achieve a cost neutral position.

Enhancing environmental compliance

Environmental compliance is a primary focus and the objective is to achieve full compliance on every operation. While the vast majority of forestry operations are fully compliant with regulations, regrettably errors may occur stemming from a combination of human and technology factors. During FY22, regulatory actions taken by the Environment Protection Authority in relation to operations that occurred between 2018 and 2020 resulted in seven convictions recorded from two forestry operations and four penalty infringement notices (PINs) issued in relation to two forestry operations. Three prosecutions related to operations in previous years remain to be heard in FY23.

The Corporation has recalibrated its compliance practice by centralising compliance monitoring and reporting, adding on-ground resources to improve compliance, re-training staff and contractors in the regulations and continually

improving systems and processes. New technology is also being explored, with higher precision GPS technology currently being installed in operational machinery. Ensuring we comply with the environmental regulations in every operation remains our objective and we will continue to strive to achieve this.

Contract extensions provide certainty

Most major agreements on the north coast were due to end in 2023 and industry had been seeking certainty to underpin investments over the short term. During FY22, these long-term wood supply agreements on the north coast were extended by five years. The extension was negotiated after the completion of a resource review to ensure timber supplies could be responsibly maintained at contracted levels following the 2019-20 fires.

Sales on the south coast have continued under short-term agreements at lower volumes and longer-term contracts will be considered in FY23. A longstanding contractual dispute in western region was also resolved in favour of the Corporation following an arbitration process.

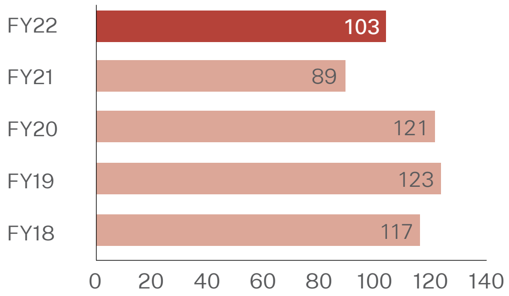
Funding boost to drive road recovery

More than half of the State forest road network is in regions that were impacted by flooding in FY22, with an estimated 10,000 to 15,000 kilometres of forest roads damaged during the flood events. Accumulated water damage has a substantial impact on natural surface roads, augmenting the risk of structural undermining and collapse.

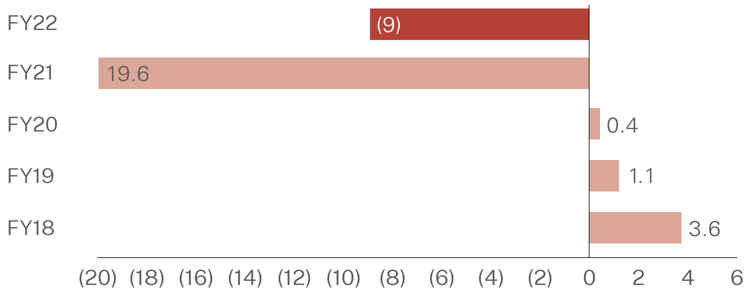
A lot of the roads that were initially damaged by fires and then further damaged in the floods are preventing public access into various parts of State forests. Repair works have been hampered by ongoing wet weather events and the increasing cost and complexity of repairs.

In recognition of the importance of forest roads to local communities as well as industry, towards the end of FY22 the NSW Government announced $60 million of funding over three years to repair flood-damaged roads, bridges and culverts and restore access for forest management and the broader community. A program of works has commenced with priority given to restoration of landslips and repairs to major roads and bridge infrastructure.

Hardwood: Revenue[1] ($m)



Hardwood: Normalised earnings[2] ($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.

First wild koala breeding program

The division has been actively involved in researching, monitoring and protecting koalas for many years and distributes thousands of preferred koala seedlings to community groups such as the Port Macquarie Koala Hospital each year to support enrichment planting on private land.

Building on strong community partnerships, and with the support of NSW Government grant funding, the Port Macquarie Koala Hospital is now working to develop Australia's first wild koala breeding facility within Cowarra State Forest. The facility will be the cornerstone of Guulabaa – Place of Koala, a precinct under development in the forest that will also include a café and gallery run by Bunyah Local Aboriginal Land Council, an inclusive and accessible treetop experience, outdoor picnic areas and a big koala sculpture as part of the Hello Koalas Sculpture Trail. Substantial progress was made during the year towards opening the new tourism precinct, and this will continue into FY23.

State forest recreation facilities have been continually enhanced and expanded over many years, and the Cowarra precinct builds on this ongoing work. In recent years, improvements have been made to picnic facilities, camping areas and lookouts, local partnerships have been established to drive the development of an expansive public mountain bike network and several marquee destinations such as the Bruxner Park Flora Reserve precinct near Coffs Harbour have been transformed into regional tourism drawcards.

Several major new tourism projects are also being developed within State forests in partnership with local communities, such as the enhancement of five key visitor sites in Bago State Forest and a partnership to treble the mountain bike trail network on the south coast. Tourism is an important value State forests provide to communities and the division is continuing to invest in improving facilities and creating unique new destinations that drive regional visitation.

Governance and Assurance

Focus on compliance

Environmental compliance is a key non-financial priority in the Statement of Corporate Intent (SCI). Any compliance issues are cause for concern. We strive to do better and staying focused and learning from our mistakes remains important moving forward.

The compliance assurance team works closely with all levels of the business, from senior management to operational staff as well as regulators, to enhance processes and ensure adequate resources are in place to inform and support improvements. Operations in native forests are governed by a robust and complex set of regulations developed by experts. These regulations include many hundreds of individual measures, which provide a high standard of environmental protection when correctly implemented. Practices are continually reviewed to identify and address areas for improvement.

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

Improving fire resilience

As a statutory firefighting authority, Forestry Corporation has continued implementing the recommendations from the NSW Independent Bushfire Inquiry. Working in partnership with the NSW Rural Fire Service (RFS), the Corporation is increasing maintenance of strategic fire trails and hazard reduction, developing Fuel Management Plans, upgrading tankers and improving radio communications networks.

The safety of first responders has been enhanced by the installation of the compressed air foam (CAFS) crew protection systems on all our light fire vehicles. The Forestry Corporation fire tanker fleet is also being upgraded, with $15 million contributed through the RFS to upgrade these vehicles to the RFS model, offering interoperability and efficiencies as part of NSW's collaborative firefighting efforts. Approximately $500,000 in funding was directly expended on upgrading strategic fire trails with further forest fire trail maintenance funding expended through the RFS and rolled over into FY23.

Work also continued on a four-year, $4.5 million upgrade program to improve fireground radio communications and transition to the Government Radio Network (GRN) by fitting fireground radios and GRN-enabled equipment to the fleet of Forestry Corporation firefighting vehicles statewide.

The RFS coordinates regional Bush Fire Risk Management Committees across NSW, which represent communities, landholders and land managers and are tasked with developing and implementing localised risk management plans. As an active member, Forestry Corporation is working with these committees across the State to prepare risk-based plans to protect local communities and key assets including timber plantations from fire. The RFS placed the first of these plans on public exhibition during the reporting period and this process will continue progressively through FY23, giving the community an opportunity to have input into the plans that will drive future fire management priorities and activities.

$4.5 million

Upgrades to fireground comms

$15 million

Secured for tanker upgrades

Certified sustainable

The organisation underwent a thorough and robust independent audit to be re-certified to the Responsible Wood Standard, part of the internationally recognised Programme for the Endorsement of Forest Certification (PEFC). Re-certification audits are conducted every three years, with surveillance audits every nine months.

Responsible Wood RW/1-21-5

Sustainably Grown Australian Made

PEFC™ PEFC/21-23-05

The two operating divisions were re-certified to the standard for a further three years which is a pleasing outcome and testament to the comprehensive forest management system which underpins all that we do and the commitment of our staff to achieving positive outcomes. During the reporting period, Forestry Corporation was also certified to the Environmental Management System ISO 14001:2004. The relevant requirements of that system have since been incorporated into the Responsible Wood standard.

Collaborating on natural hazards and resilience

Each year, Forestry Corporation ensures it has adequate numbers of suitably trained and equipped firefighting staff. Pre-season fire camps and training were again held right across the State during FY22 in preparation for the fire season. Mild weather conditions resulted in a benign fire season, however our traditional collaboration around fire management and the skills and equipment we maintain was able to be put to use in responding to floods and severe weather right up and down the coast. It was really pleasing to see that our north coast employees were able to assist the local communities in which they live and work, with clean-up work following the Lismore floods.

Forest Management Plans reviewed

Forest management plans detail our commitment to planning, monitoring and continually improving forest management. They summarise our activities, as well as the systems, processes and procedures we maintain that ensure we continue to manage forests sustainably in line with the Commonwealth and State Government policies and regulations and the Australian Standard for Sustainable Forest Management – Responsible Wood.

Forest Management Plans are periodically reviewed and updated and each review involves the public display of the draft plan to ensure the plans are appropriate and reflect both regulatory requirements and community expectations.

The Forest Management Plans for coastal hardwood forests and softwood plantations were reviewed and placed on public display in FY22 and will be finalised during FY23, drawing on the feedback received.

Partnering for research

Over many years, surveys, research programs and partnerships have contributed to the body of evidence about biodiversity and threatened species and underpinned several translocations of threatened species from State forests to repopulate other tenures.

Forestry Corporation continues to work with other Government agencies and industry to monitor forest health and conduct a variety of research. Key projects carried out in conjuction with partners included radio-tracking of GPS-collared koalas in forests regenerating after harvesting, annual monitoring of koala occupancy in north-east hinterland forests and ongoing surveys to assess wildlife recovery following the 2019-20 fires. Forestry Corporation congratulates Senior Ecologist Chris Slade who was appointed to the NSW Threatened Species Scientific Committee in June 2022 in recognition of his expertise and experience in this important area.

People, Safety and Systems

Safety at the fore

Our goal is for everyone to return home safe every day and safety is a key non-financial performance focus in the SCI. While FY22 saw a slight improvement in the lost time injury frequency rate at 9.3 (FY21: 9.5), it remains higher than target. We are continuing to increase focus on safety measures to keep our staff and contractors safe.

During the year, investment in safety resources was augmented, engagement with our contractors increased, new injury prevention programs were rolled out, our critical risks were reviewed and collaboration with the workforce towards our shared safety goals was bolstered through safety forums, a stop-for-safety meeting and CEO Safety Awards.

After a spike in truck incidents in the industry, contractor truck safety forums were held to partner with the supply chain to identify core actions to improve safety on the road. Working with the supply chain will remain a central focus.

A fitness for work program was also piloted in two regional offices to lift the focus on prevention of soft-tissue and musculoskeletal injuries, and drive change on the ground to how staff approach manual tasks.

Our risk and hazard reporting tool RiskWare was also simplified with the launch of a one-minute 'LOGit' form ensuring staff have a quick and readily accessible way to report and take action in the field. This has enhanced our risk identification and reporting.

A diverse and equipped workforce

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

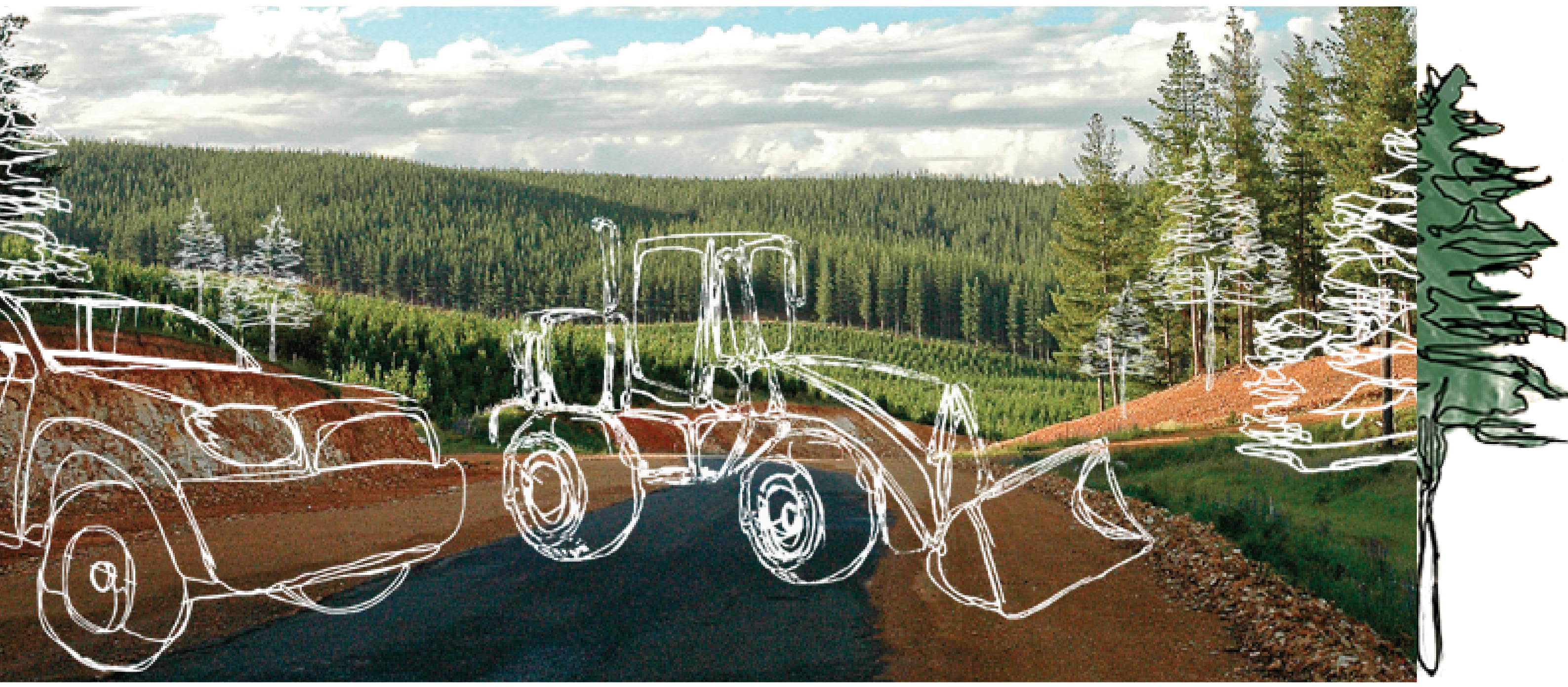
Female representation has steadily increased from 18 per cent to 25 per cent over five years, with females now also occupying fifty per cent of Board positions and one-thirds of the Executive Leadership Team. Work in this area continues at pace as we strive to generate ever-improving gender diversity in the workplace.

Efforts were also directed at improving age diversity. A transition to retirement program supports existing staff on the path to retirement and encourages avenues for succession planning and mentoring. A new graduate recruitment program was also launched to attract and develop emerging professionals.

Investment in leadership development continued with managers and supervisors throughout the business engaged in the Leadership Excellence at Forestry Corporation (LEAF) programs. The LEAF program was expanded to senior managers for the first time in FY22, dovetailing with the Executive Leadership Team effectiveness program.

Managing through the pandemic

Flexible working arrangements continued to ensure the safety of staff during the different phases of the COVID-19 pandemic. A hybrid working arrangement sees many staff work from home for part of the week and spend other days in the office collaborating and engaging with colleagues and customers.



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 AGIS

- Compliance
- Risk management and audit
- Governance and executive support
- Legal services
- Corporate affairs
- Assets and estates
- Strategic fire management and radio services
- Mapping and information services
- Tree and seed resources

General Manager Hardwood Forests Division
Daniel Tuan
BA

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

General Manager Softwood Plantations Division
Rachel Johnson[1]
BSC Aeronautical Engineering Science, Graduate Certificate in Education, GAICD

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

Chief Financial Officer
Grant Steen
BEc, CPA

- Corporate finance
- Tax and treasury
- Commercial finance
- Accounts payable and staff expenses
- Credit control
- Information technology
- Strategic planning and analysis
- Fleet management

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

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

[1] Mike Beardsell held the role of General Manager Softwood Plantations during FY22. Rachel Johnson assumed the role in August 2022.

Financial summary

Performance against Statement of Corporate Intent

Forestry Corporation creates a financial plan each year in its SCI that sets out its key financial targets. Performance against financial measures exceeded expectations as highlighted in the financial summary table overleaf. Total comprehensive income was $81 million (FY21: $19 million). The performance comprised profit or loss and other comprehensive income. Profit or loss represents normalised comparable information over time and is used as a key measure in the SCI and by management to monitor the underlying business division performance using earnings before interest and tax (EBIT). For the year ended 30 June 2022, normalised earnings were $38 million (FY21: $27 million).

Earnings were positive overall, driven by the Softwood Plantations Division, where prices responded to strong market demand and salvage revenue continued well past the forecast program completion.

Other revenue included an insurance claim payment received after 30 June 2022 for the additional costs of working with salvage timber after the bushfires of 2019-20.

Operating costs were affected by higher fuel prices, additional road maintenance to remediate weather erosion and employee savings from the favourable fire season and leave provisions.

Other comprehensive income was significantly positive due to a small number of large non-cash valuation movements, reflecting asset market conditions and discount rate increases. For clarity, the main items have been reconciled in the tables overleaf.

Capital and shareholder return

Capital investment fell short of the plan due to extended delays in new vehicle deliveries. These were due to ongoing global manufacturer supply delays stemming from COVID-19 and shortages of parts such as microchips.

A dividend of $400,000 was declared in FY22 (FY21: $0), returning the corporation to a dividend paying position after two years of relief to facilitate early investments in fire recovery. The dividend was declared in May 2022, and did not include the year end adjustment for insurance claim revenue.

Balance sheet remains strong

The balance sheet strengthened during the year to a net position of $1.43 billion (FY21:$1.35 billion). The change was driven by the net asset appreciation resulting from the comprehensive property, plant and equipment and biological valuations. Other material changes included the insurance receivable and reduced employee provisions.

Division financial results

Year ended 30 June ($ millions)	FY18	FY19	FY20	FY21	FY22
Softwood Plantations					
Revenue[1]	262	289	301	300	264
Normalised earnings[2]	64	73	59	47	47
Hardwood Forests					
Revenue[1]	117	123	121	89	103
Normalised earnings[2]	4	1	0	(20)	(9)

FY22 Divisional breakdown ($ millions)	Softwood	Hardwood	Corporate	Total
Revenue[1]	264	103	6	373
Normalised earnings[2]	47	(9)	0	38

[1] Revenue includes other income and interest.

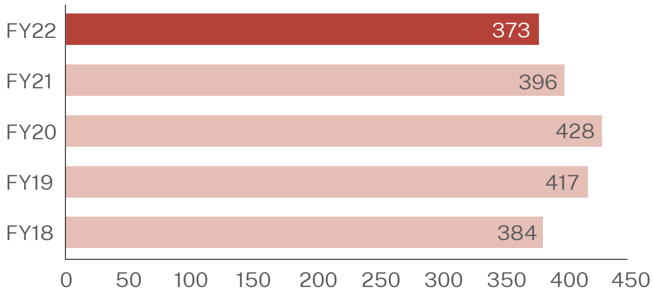
[2] Normalised earnings excludes significant items such as fair value movements, asset impairments and defined benefit actuarial movements and is unaudited.

Reconciliation of Normalised Earnings to Statutory Results ($ millions)	2021	2022
Total Comprehensive Income / (Loss) per the Financial Statements	19	81
Impact of actuarial assessment on the defined benefit superannuation liabilities (net of tax)	(15)	(22)
Impact of valuation of standing timber (net of tax)	50	91
Impact of revaluation and related impairment of property, plant and equipment (net of tax)	(39)	(126)
Normalised Earnings[2] After Tax	**15**	**24**
Interest and tax on normalised earnings[2]	13	14
Normalised Earnings[2]	**27**	**38**

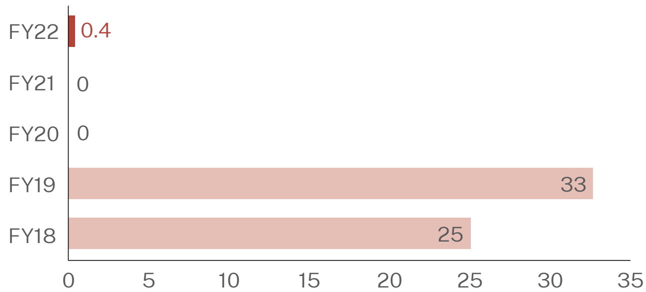
Financial highlights

Key financial data							2022 SCI targets	
Year ended 30 June		**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**SCI**	**Variance**
Revenue[1]	$m	384	417	428	396	373	324	49
Normalised earnings[2]	$m	66	74	60	27	38	(8)	46
Dividend payable	$m	25	33	0	0	0.4	0	0.4
Borrowings	$m	108	86	86	86	64	100	(36)
Biological estate valuation[3]	$m	N/A	N/A	1,444	1,417	1,471	1,439	32
Key ratios								
Return on equity	%	5.2	4.9	4.5	2.0	2.7	(0.6)	3.3
Normalised earnings[2] margin	%	17.3	17.7	14.0	6.9	10.2	(2.6)	12.8
Liquidity ratio	times	1.4	1.4	2.3	2.1	2.1	1.9	0.2
Gross debt to normalised earnings before depreciation and amortisation	times	1.5	1.0	1.2	2.3	1.3	47.5	(46)
Interest cover	times	9.9	11.8	11.2	6.2	10.0	(1.9)	11.9

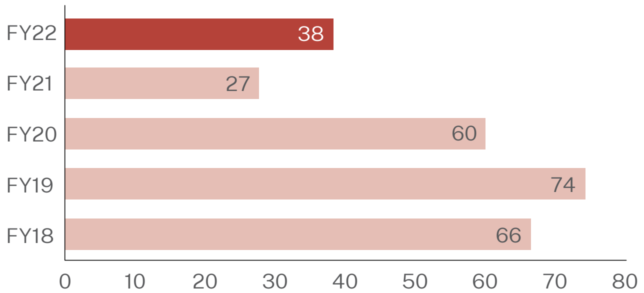
Revenue[1] ($m)



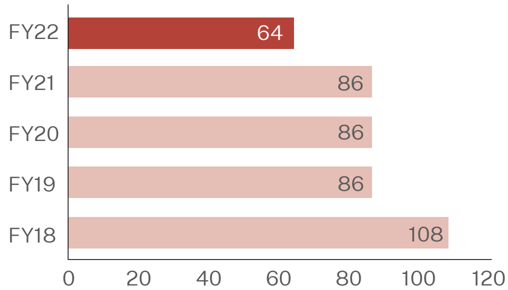
Dividend ($m)



Normalised earnings[2] ($m)



Borrowing ($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.

[3] Valuation using the new methodology applied from FY20 including softwood plantation trees, land and roads.

Board and charter

Charter

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

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

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

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

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

d. to contribute towards regional development and decentralisation

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

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

Forestry Corporation Board

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

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

One Director completed her term during the year and two new Directors were appointed on three-year terms. The Chair, James Millar AM, retired on 30 June 2022 and Stefanie Loader was appointed as Chair from 1 July 2022.

Board of Directors

Ms Stefanie Loader – Director and Chair of People and Safety Committee, Chair of the Board from 1 July 2022
BSc Hons (Geology), Grad Cert (Applied Stats) MAIG, GAICD
Current term: 15 February 2021 – 14 February 2024. Appointed as Chair from 1 July 2022 – 30 June 2025

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

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

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

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

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

Ms Linda Sewell – Director
BSc (Botany), BCom (Accounting, Finance), GAICD
Current term: 29 November 2021 – 28 November 2024

Linda is an experienced CEO and Director with a particular focus on growing and adding value to organisations in the manufacturing, infrastructure, forestry and wood products industries. In 2013 Linda was appointed CEO of the newly created OneFortyOne Plantations. In that role she established the company infrastructure and governance and led the growth of the organisation across Australia and New Zealand. Linda has also served as a Director and Chair of the Australian Forest Products Association for a number of years.

Mr Rob de Fégely AM – Director
BSc (Forestry), MSc (Forest Business Management), FAICD
Current term: 1 April 2022 – 31 March 2025

Rob has an extensive career in the forestry industry and is currently a Director with a forestry and forest industry consulting company based in Australia and New Zealand. He is also Chairman of Sustainable Timber Tasmania (formerly Forestry Tasmania) and Chair of the Commonwealth Governments' Forest Industry Advisory Council. His professional experience includes both public and private and he has undertaken projects in all Australian States and Territories as well as New Zealand, Asia and North America.

Mr James M. Millar AM – Director and Chair
BCom, FCA, FAICD
Term: 15 February 2019 – 14 February 2022, reappointed 15 February 2022 – 30 September 2022, retired 30 June 2022

James is the former Chief Executive Officer and Oceania Area Managing Partner of Ernst & Young and was a director on their Global Board. James commenced his career with Ernst & Young in their insolvency and reconstruction practice, and was involved in the reconstruction of some of Australia's largest businesses. He is an experienced corporate executive and advisor, and is a director, trustee or member of a number of public and private companies and charitable organisations.

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

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

Board meetings

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

Member	Number of Meetings Attended
James Millar AM	9
Sarah Kearney *	5
Mary Verschuer	9
Stefanie Loader	9
Matthew Sexton	9
Linda Sewell **	5
Rob de Fégely ***	2

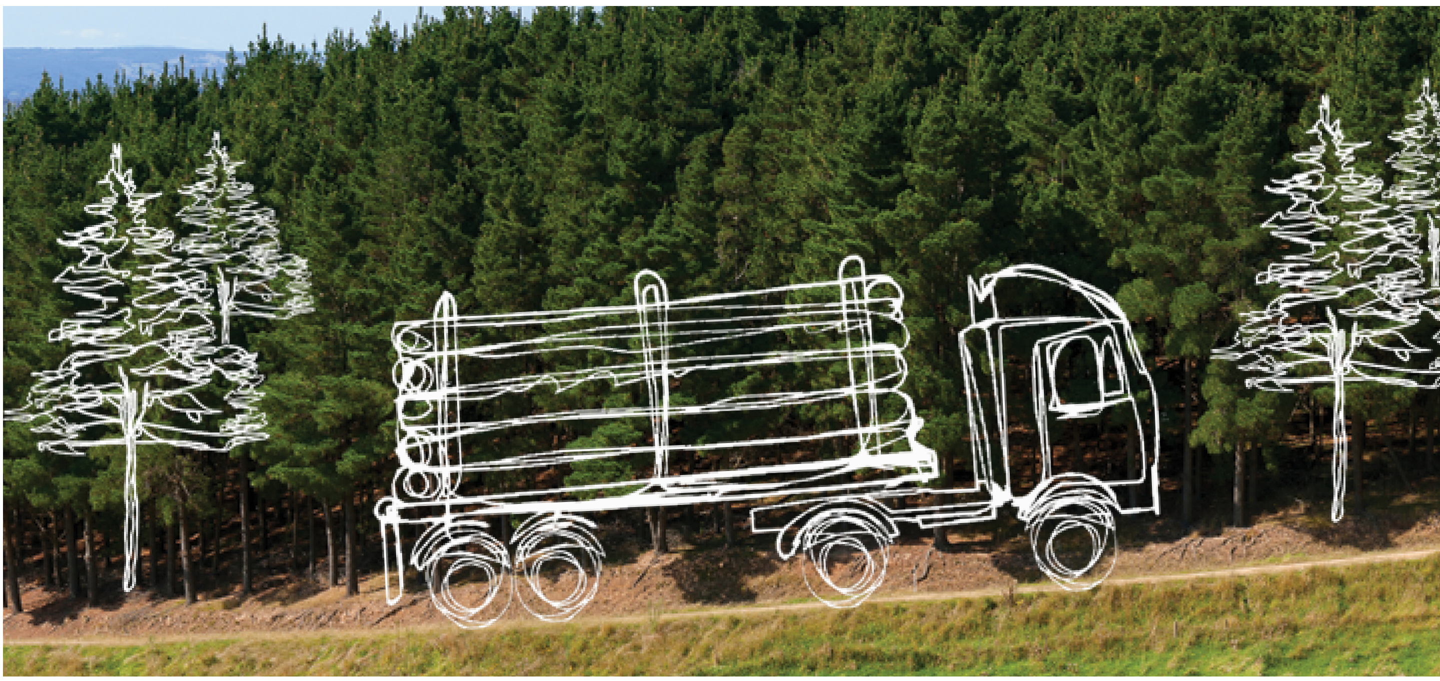
* Term completed 14 February 2022
** Appointed 29 November 2021
*** Appointed 1 April 2022

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.

During the reporting period there were four meetings of the Audit and Risk Committee, one meeting of the People Committee, two meetings of the Safety Committee, and two meetings of the combined People and Safety Committee and one field visit of the People and Safety Committee.



Financial statements

30 June 2022

Forestry Corporation of New South Wales

ABN 43 141 857 613

Start of the audited financial statements

Forestry Corporation of New South Wales

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2022

	Note	30 June 2022 $'000	30 June 2021 $'000
Revenue	5	320,007	374,590
Other income	6	49,605	18,954
Net (loss)/ gain from TCorpIM funds		(1,301)	2,012
Change in fair value of biological assets	18	(130,679)	(71,352)
Expenses			
Operating expenses	7	(259,468)	(287,799)
Employee benefits expense		(66,352)	(72,566)
Depreciation and amortisation expense		(10,361)	(9,970)
Net impairment loss of right-of-use assets		(1,375)	(302)
Net impairment loss of property, plant and equipment assets		(1,853)	(2,743)
Fair value gains on revaluation of non-current assets		3,035	2,229
Net impairment gains/(loss) on financial and contract assets		(31)	125
Finance costs	8	(3,825)	(4,427)
Loss before income tax expense		(102,598)	(51,249)
Income tax expense	9	29,483	14,629
Loss after income tax expense for the year attributable to the owners of Forestry Corporation of New South Wales		(73,115)	(36,620)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Net gain on the revaluation of assets, net of tax		131,671	38,646
Actuarial gain/(loss) on defined benefit plans, net of tax		22,932	16,813
Other comprehensive income for the year, net of tax		154,603	55,459
Total comprehensive income for the year attributable to the owners of Forestry Corporation of New South Wales		81,488	18,839

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 2022

	Note	30 June 2022 $'000	30 June 2021 $'000
Assets			
Current assets			
Cash and cash equivalents	10	100,983	120,110
Trade and other receivables	13	81,977	52,536
Inventories	14	4,933	5,205
Biological assets	15	33,322	61,581
Income tax refund		4,645	3,703
Total current assets		225,860	243,135
Non-current assets			
Property, plant and equipment	16	1,322,678	1,141,668
Right-of-use assets	17	1,642	1,749
Biological assets	18	590,446	691,997
Investment properties	19	6,082	4,903
Intangibles	20	511	515
Total non-current assets		1,921,359	1,840,832
Total assets		2,147,219	2,083,967
Liabilities			
Current liabilities			
Trade and other payables	21	50,779	51,804
Contract liabilities	22	11,241	10,853
Borrowings	23	13,463	21,341
Dividend provided	24	400	-
Lease liabilities	25	618	441
Provisions	26	30,460	29,548
Total current liabilities		106,961	113,987
Non-current liabilities			
Borrowings	27	50,688	64,478
Lease liabilities	28	4,536	4,089
Provisions	29	1,773	4,896
Retirement benefit obligations	40	32,056	63,435
Deferred tax	30	516,842	481,379
Total non-current liabilities		605,895	618,277
Total liabilities		712,856	732,264
Net assets		1,434,363	1,351,703
Equity			
Contributed equity	31	491,706	491,706
Reserves	32	873,080	745,079
Retained profits		69,577	114,918
Total equity		1,434,363	1,351,703

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 2022

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

	Contributed equity $'000	Reserve for deferred tax asset $'000	Asset revaluation reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2021	491,706	50,092	694,987	114,918	1,351,703
Loss after income tax expense for the year	-	-	-	(73,115)	(73,115)
Other comprehensive income for the year, net of tax	-	-	131,671	22,932	154,603
Total comprehensive income/(loss) for the year	-	-	131,671	(50,183)	81,488
Transfer of Asset Revaluation to Retained Profit	-	-	(337)	481	144
Land revoked and transferred from Other NSW state government agency	-	-	(3,333)	4,761	1,428
Transactions with owners in their capacity as owners:					
Dividend	-	-	-	(400)	(400)
Balance at 30 June 2022	491,706	50,092	822,988	69,577	1,434,363

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 2022

	Note	30 June 2022 $'000	30 June 2021 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		371,444	436,601
Payments to suppliers and employees (inclusive of GST)		(354,491)	(386,167)
Interest received		(1,301)	2,012
Interest and other finance costs paid		(4,043)	(4,853)
Income taxes paid		(682)	(13,384)
Net cash from operating activities	11	10,927	34,209
Cash flows from investing activities			
Payments for property, plant and equipment	16	(8,687)	(14,621)
Acquisition of Biological Assets		(869)	-
Proceeds from disposal of property, plant and equipment		1,741	2,711
Net cash used in investing activities		(7,815)	(11,910)
Cash flows from financing activities			
Repayment of borrowings		(21,285)	-
Repayment of lease liabilities		(954)	(851)
Net cash used in financing activities		(22,239)	(851)
Net increase/(decrease) in cash and cash equivalents		(19,127)	21,448
Cash and cash equivalents at the beginning of the financial year		120,110	98,662
Cash and cash equivalents at the end of the financial year	10	100,983	120,110

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 2022

Note 1. General information

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

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

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

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 7 October 2022.

Note 2. Significant accounting policies

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

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, the relevant requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulations 2018, 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.

Historical cost convention

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

Critical accounting estimates

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

Foreign currency transactions and balances

Foreign currency transactions are converted to Australian currency at the exchange rates at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are converted to Australian currency at the exchange rates at the end of the reporting date. Differences arising on translation or settlement of monetary items are recognised as a net result.

Revenue recognition

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

Sale of timber and related activities

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

Sales of permits and other forest management services

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

Interest

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

Rent income

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

Other Services

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

Grants

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

Income of government funded projects will be recognised to the profit and loss when the related expenditures are incurred.

Income tax

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

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

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

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

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

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

Current and non-current classification

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

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

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

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

Notes to the financial statements *(continued)*
30 June 2022

Cash and cash equivalents

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

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

Trade and other receivables

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

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

Inventories

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

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

Investment properties

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

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

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

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

Intangibles

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

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

Property, plant and equipment

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

Items of property, plant and equipment are initially measured at their cost, and are subsequently measured at their fair value in accordance with NSW Treasury's accounting policy TPP14-01 'Valuation of Physical Non-Current Assets at Fair Value'. This policy adopts fair value in accordance with AASB 13 'Fair Value Measurement' and AASB 116 'Property, Plant and Equipment'. A comprehensive valuation was carried out in the 2022 financial year under TPP 21-09 'Valuation of Physical Non-Current Assets at Fair Value'. Revaluation changes are disclosed in note 16.

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

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

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

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

Buildings	10 to 50 years
Plant&Equipment	3 to 50 years
RoadPavement	25 years
RoadEarthworks	50 years
Bridges-Concrete and Steel Crossing	50 to 100 years Intangibles:
Software	5 years
Right of Access Easement	Indefinite

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

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

Biological assets

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

Softwood

The Corporation manages approximately 225,000 (2021:225,000) hectares of softwood plantations.

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

Key assumptions used in the sales comparison approach include:

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

Key assumptions used in the income approach include:

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

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

Hardwood

The Corporation manages approximately 34,000 (2021:34,000) hectares of hardwood plantations and approximately 1,901,000 (2021:1,901,000) hectares of native forests.

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

Notes to the financial statements *(continued)*
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Impairment of non-financial assets

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

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

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

Trade and other payables

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

Contract liabilities

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

Borrowings

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

Lease assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and except where included inthe 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 theend of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

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

Lease liabilities

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

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

Guarantee fee

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

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

Finance costs

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

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

Provisions

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

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Defined contribution superannuation schemes

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

Defined benefit superannuation schemes

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

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

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

Calculations are performed by the Pooled Fund's actuary. When the calculation results in a benefit to the Corporation, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements

Notes to the financial statements *(continued)*
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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 benefitrelating 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 anyrelated actuarial gains and losses and past service cost that had not previously been recognised.

Termination benefits

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

Fair value measurement

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

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

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

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

Contributed equity

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

Dividends

The dividends are calculated on adjusted net profit after tax in accordance with NSW Treasury's accounting policy 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. The Board of Directors has recommended a dividend payment for the financial year ending 30 June 2022 of $400,000 (FY2021: Nil) and this has been accepted by NSW Treasury on behalf of the shareholders.

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 cashflows.

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

Rounding of amounts

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

Comparative figures

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

Note 3. New Accounting Standards and Interpretations adopted

There are no new accounting standards that are expected to impact amounts recognised in prior periods, nor impact current and future periods.

Note 4. Critical accounting judgements, estimates and assumptions

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

Refer to Note 34 of fair value assessment for property, plant & equipment and biological assets.

COVID-19

The Corporation has implemented a number of measures to deal with the global COVID-19 pandemic in line with Government health advice.

Trading has by and large continued unhindered by the COVID-19 pandemic. Customer demand, fueled by ongoing residential construction activity and a shortage of timber, has remained strong. Production and non-commercial operation activities have only been minimally affected by mill restrictions and contractor unavailability due to COVID-19 related leave. The main impacts experienced to date relate to reduced travel of employees around the state, some delays in equipment acquisition and costs of personal protective equipment including Rapid Antigen Test kits.

Management has undertaken reviews of the potential impact of COVID-19 on its operations and the balance sheet in areas such as asset impairment, change in fair value of assets, provisions for onerous contracts and assessment of going concern. Consequently, management is of the view that there are no significant impacts on the financial statements as at 30 June 2022.

Resilience and Rebuild

The operations for the year commenced with reduced contracted volumes across major customers resulting from lower resource availability due to the impact of the 2019-20 bushfires. The year has also been characterised by the ongoing wet weather across the state including flooding in the north east of the state, with financial impacts on the main activities of harvesting, planting, roading and fire suppression. The Corporation continued its long-term program of rebuilding from the effects of the 2019-20 bushfires, with the increased plantation establishment program to restock the estate and a prioritised list of repairs to road infrastructure over and above normal levels well underway.

Climate Change

Forestry Corporation acknowledges the potential impact of climate change on the forests it manages. The key areas of risk are intense and prolonged bushfires, floods, droughts, impact on forest health, biodiversity and tree growth. Identifying and establishing controls to mitigate these risks are central to the Corporation's risk management strategy and is a key feature in its strategic plan. Key initiatives around early fire detection, redesigning plantations and fuel load management are pre-emptive controls for bushfire risk, while the Corporation invests in research and development on monitoring forest health and biodiversity for long-term sustainability. The Intergovernmental Panel on Climate Change recognises forestry as a climate change mitigation activity, and Forestry Corporation tracks and reports on carbon balance as well as energy use and contribution to carbon emissions in its annual Sustainability Report. Research into the effect and mitigation of climate change continues to be undertaken by the broader industry research bodies, which the Corporation participates in.

Notes to the financial statements *(continued)*
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Fair value measurement hierarchy

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

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

Allowances for expected credit losses

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

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

Some key model considerations for the Corporation include:

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

Estimation of useful lives of assets

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

Impairment of property, plant and equipment

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

Employee benefits provision

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

Superannuation defined benefit liability

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

Note 5. Revenue

	30 June 2022 $'000	30 June 2021 $'000
Sales revenue from contracts with customers		
Forest products	299,576	355,714
Miscellaneous forests products	5,724	6,075
Permits and licence fees	3,576	3,772
Other forestry management services	5,248	2,492
	314,124	368,053
Other revenue		
Other services rendered	4,104	3,707
Section 44 reimbursements	(930)	96
Rent income from investment properties	344	399
Other rental	2,365	2,335
	5,883	6,537
Revenue	320,007	374,590

	30 June 2022 $'000	30 June 2021 $'000
Timing of sales revenue recognition		
Goods transferred at a point in time	305,300	361,789
Services transferred over time	8,824	6,264
	314,124	368,053

Sec 44 reimbursement refers to revenue recoupment for expenditure incurred by the Corporation for fire fighting activities.

Note 6. Other income

	30 June 2022 $'000	30 June 2021 $'000
Net foreign exchange gain	93	-
Amortisation - Premium on borrowings	384	312
Grants revenue - community service obligations	17,760	16,854
Insurance proceeds for 2019/2020 bushfires	27,544	-
Grants revenue - other state government grants	7,539	626
Net gain/(loss) on disposal of non-current assets	(3,715)	1,162
Other income	49,605	18,954

Community Service Obligations (CSO)

The Corporation incurred $18,710,687(2021: $16,857,000) costs against grants revenue which included provision of recreation facilities, education and advisory services, government liaison and regulatory services, community fire protection and research. Any unspent CSO grants are carried forward to the next financial year for on-going projects. The costs are included in operating expenditure in Note [7].

Other Government Grants

The State Government also paid the Corporation $7,538,815 (2021: $625,822) for the performance of specific services which includes flood stabilisation, tourism precincts, ministerial compensation to redirect wood to the domestic market, light fleet fire spray protection and strategic fire trails.

Notes to the financial statements *(continued)*
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Note 7. Operating expenses

	30 June 2022 $'000	30 June 2021 $'000
Contract harvest and haulage	161,167	186,640
External contractor costs	58,418	61,029
Other operating expenses	12,012	15,782
Materials	17,145	16,289
Occupancy costs other than long term leases	1,462	1,637
Forest management and licence costs	2,929	686
Travel and accommodation	1,206	1,248
Communication and computer costs	3,643	3,267
Insurance and state taxes	1,486	1,221
	259,468	287,799

Note 8. Expenses

	30 June 2022 $'000	30 June 2021 $'000
Loss before income tax includes the following specific expenses:		
Finance costs		
Government guarantee fee	1,199	1,472
Interest expenses	2,292	2,733
Lease interest	279	273
Other finance costs	55	(51)
Finance costs expensed	3,825	4,427
Superannuation expense		
Defined contribution superannuation expense	4,886	4,563
Defined benefit employer contributions	2,316	1,118
Total superannuation expense	7,202	5,681

Refer to note [40] for Defined benefit superannuation expense.

Note 9. Income tax expense

	30 June 2022 $'000	30 June 2021 $'000
Income tax expense		
Current tax	(261)	9,375
Deferred tax - origination and reversal of temporary differences	(29,222)	(24,004)
Aggregate income tax expense	(29,483)	(14,629)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(102,598)	(51,249)
Tax at the statutory tax rate of 30%	(30,779)	(15,375)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	515	13
Non-deductible loss on disposals	1,378	-
Non-deductible revaluation	178	349
Prior year adjustment	(775)	384
Income tax expense	(29,483)	(14,629)

	30 June 2022 $'000	30 June 2021 $'000
Amounts charged directly to equity		
Deferred tax liabilities (note 30)	64,685	23,419

Note 10. Current assets - cash and cash equivalents

	30 June 2022 $'000	30 June 2021 $'000
Cash at bank	9,678	26,373
NSW Treasury Corporation TCorp IM Funds	91,305	93,737
	100,983	120,110

Notes to the financial statements *(continued)*
30 June 2022

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

	30 June 2022 $'000	30 June 2021 $'000
Loss after income tax expense for the year	(73,115)	(36,620)
Adjustments for:		
Depreciation and amortisation	10,362	9,970
Impairment of non-current assets	1,853	2,743
Impairment of right-of-use assets	1,375	302
Impairment of financial and contract assets	31	(125)
Fair value gains on non-current assets revaluations	(3,035)	(2,229)
Net gain on disposal of investment properties	-	302
Net loss on disposal of property, plant and equipment	5,456	860
Change in fair value of biological assets	130,679	71,352
Other non-cash item	(202)	1,898
Change in operating assets and liabilities: Decrease/(increase) in trade and other receivables	(33,326)	9,321
Decrease/(increase) in inventories	271	(922)
Increase in trade and other payables	5,234	5,396
Decrease in provision for income tax	(682)	(4,010)
Decrease in deferred tax liabilities	(29,483)	(24,004)
Decrease inotherprovisions	(4,491)	(25)
Net cash from operating activities	10,927	34,209

Note 12. Changes in liabilities arising from financing activities

	Short-term borrowings $'000	Long-term borrowings $'000	Total $'000
Balance at 1 July 2020	21,408	64,724	86,132
Other changes	(60)	(246)	(306)
Balance at 30 June 2021	21,348	64,478	85,826
Other Charges	(11)	(379)	(390)
Loans repayment	(7,874)	(13,411)	(21,285)
Balance at 30 June 2022	13,463	50,688	64,151

Note 13. Current assets - trade and other receivables

	30 June 2022 $'000	30 June 2021 $'000
Trade receivables	41,363	39,650
Less: Allowance for expected credit losses	(151)	(121)
	41,212	39,529
Other debtors	34,768	8,936
Less: Allowance for expected credit losses	(475)	(475)
	34,293	8,461
Prepayments	6,472	4,546
	81,977	52,536

Allowance for expected credit losses

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

	30 June 2022 $'000	30 June 2021 $'000
0 to 3 months overdue	626	596

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

	30 June 2022 $'000	30 June 2021 $'000
Opening balance	596	733
Additional provisions recognised	30	(137)
Closing balance	626	596

Note 14. Current assets - inventories

	30 June 2022 $'000	30 June 2021 $'000
Work in progress and finished goods	4,933	5,205

Note 15. Current assets - biological assets

	30 June 2022 $'000	30 June 2021 $'000
Biological assets at fair value	33,322	61,581

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

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

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

Notes to the financial statements *(continued)*
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Note 16. Non-current assets - property, plant and equipment

	30 June 2022 $'000	30 June 2021 $'000
Land	1,172,969	1,039,336
Buildings	26,474	22,252
Less:Accumulated depreciation	(14,279)	(11,811)
	12,195	10,441
Plant and equipment	32,465	42,870
Less:Accumulated depreciation	(4,490)	(15,688)
	27,975	27,182
Roads and bridges	194,664	145,021
Less:Accumulateddepreciation	(86,836)	(86,266)
Less:Impairment	-	(953)
	107,828	57,802
Property work in progress - at cost	1,711	6,907
	1,322,678	1,141,668

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 inprogress $'000	Total $'000
Balance at 1 July 2020	989,671	10,256	23,486	59,960	335	1,083,708
Additions	-	-	-	-	14,621	14,621
Disposals	(590)	(47)	(634)	-	-	(1,271)
Transfer from NSW State agencies	133	-	-	-	-	133
Revaluation increments	50,147	-	7,010	-	-	57,157
Transfer from work in progress	-	1,106	4,159	2,784	(8,049)	-
Impairment of assets	(25)	62	-	(2,783)	-	(2,746)
Transfers to investment properties	-	(62)	-	-	-	(62)
Depreciation expense	-	(874)	(6,839)	(2,159)	-	(9,872)
Balance at 30 June 2021	1,039,336	10,441	27,182	57,802	6,907	1,141,668
Additions	-	-	-	-	8,687	8,687
Impairment	-	(26)	-	(875)	-	(901)
Disposals	(112)	-	(416)	(141)	-	(669)
Transfer to NSW State agencies	(4,787)	-	-	-	-	(4,787)
Revaluation increments	137,941	586	495	49,937	-	188,959
Transfer from work in progress	597	2,164	7,856	3,266	(13,883)	-
Transfers to investment properties	(6)	-	-	-	-	(6)
Depreciation expense	-	(970)	(7,142)	(2,161)	-	(10,273)
Balance at 30 June 2022	1,172,969	12,195	27,975	107,828	1,711	1,322,678

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

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

	30 June 2022 $'000	30 June 2021 $'000
Land and buildings - right-of-use	6,608	5,687
Less: Accumulated depreciation	(247)	(186)
Less: Impairment	(4,719)	(3,752)
	1,642	1,749

Reconciliation

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

	Right-of-use assets $'000
Balance at 1 July 2020	1,820
Additions	259
Impairment of assets	(235)
Depreciation expense	(95)
Balance at 30 June 2021	1,749
Derecognition of right-of-use-asset	(73)
Revaluation increments	445
Additions	980
Impairment of assets	(1,374)
Depreciation expense	(85)
Balance at 30 June 2022	1,642

Notes to the financial statements *(continued)*
30 June 2022

Note 18. Non-current assets - biological assets

	30 June 2022 $'000	30 June 2021 $'000
Biological assets at fair value	590,446	691,997

Reconciliation

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

	Biological assets $'000
Balance at 1 July 2020	824,930
Harvested timber recognised in profit or loss	(65,604)
Changes in fair value less estimated point of sale costs recognised in profit or loss due to:	
• change in the discount rate	(3,555)
• changes in volumes, prices, and markets	(2,193)
Balance at 30 June 2021	753,578
Purchase of standing timber	869
Harvested timber recognised in profit or loss	(31,396)
Changes in fair value less estimated point of sale costs recognised in profit or loss due to:	
• change in the discount rate	(68,626)
• changes in volumes, prices, and markets	(30,657)
Balance at 30 June 2022	623,768

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

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

Note 19. Non-current assets - investment properties

	30 June 2022 $'000	30 June 2021 $'000
Investment properties	6,082	4,903
Reconciliation		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening fair value	4,903	4,995
Net transfers (to)/from property, plant and equipment	5	62
Disposals	-	(154)
Revaluation increments	1,174	-
Closing fair value	6,082	4,903

Valuations of investment properties

The basis of the valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment. For the 2022 financial year, a comprehensive valuation of investment properties was conducted 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 34 for further information on fair value measurement.

Lease commitments (income)

	30 June 2022 $'000	30 June 2021 $'000
Minimum lease commitments receivable but not recognised in the financial statements:		
1 year or less	497	245
Between 1 and 5 Years	1,283	293
	1,780	538

Amount disclosed as lease commitments includes GST of $161,911 (2021: $49,000) payable to the Australian Taxation Office.

Note 20. Non-current assets - intangibles

	30 June 2022 $'000	30 June 2021 $'000
Software - at cost	21	21
Less: Accumulated amortisation	(10)	(6)
	11	15
Right of access land easement	500	500
	511	515

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 2020	20	500	520
Amortisation expense	(5)	-	(5)
Balance at 30 June 2021	15	500	515
Amortisation expense	(4)	-	(4)
Balance at 30 June 2022	11	500	511

Note 21. Current liabilities - trade and other payables

	30 June 2022 $'000	30 June 2021 $'000
Trade creditors	43,278	42,716
Other current liabilities	7,501	9,088
	50,779	51,804

Refer to note [33] for further information for financial instruments.

Notes to the financial statements *(continued)*
30 June 2022

Note 22. Current liabilities - contract liabilities

	30 June 2022 $'000	30 June 2021 $'000
Contract liabilities	11,241	10,853

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

Opening balance	10,853	12,573
Contract liabilities incurred in the current period	17,210	12,136
Revenue recognised from performance obligation satisfied	(16,822)	(13,856)
Closing balance	11,241	10,853

Note 23. Current liabilities - borrowings

	30 June 2022 $'000	30 June 2021 $'000
NSW Treasury Corporation loans	13,463	21,341

Refer to note [33] for further information on financial instruments.

Note 24. Current liabilities - dividend provided

	30 June 2022 $'000	30 June 2021 $'000
Dividend provided	400	-

The Board of Directors has recommended that dividend of $400,000 be paid for the financial year ending 30 June 2022. This has been accepted by the NSW Treasury, on behalf of the shareholders.

Note 25. Current liabilities - lease liabilities

	30 June 2022 $'000	30 June 2021 $'000
Lease liability	618	441

Refer to note 33 for further information on financial instruments.

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

Note 26. Current liabilities - provisions

	30 June 2022 $'000	30 June 2021 $'000
Employee benefits	30,069	29,328
Workers compensation	391	220
	30,460	29,548

Employee benefits

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

Workers compensation

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

Movements in provisions

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

	Workers compensation $'000
30 June 2022	
Carrying amount at the start of the year	220
Additional provisions recognised	171
Carrying amount at the end of the year	391

Amounts not expected to be settled within the next 12 months

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

- Employee benefits obligation not expected to be settled within the next 12 months is $22,902,495 (2021: $21,474,520).

Note 27. Non-current liabilities - borrowings

	30 June 2022 $'000	30 June 2021 $'000
NSW Treasury Corporation loans	50,688	64,478

Refer to note 33 for further information on financial instruments.

Notes to the financial statements *(continued)*
30 June 2022

Note 28. Non-current liabilities - lease liabilities

	30 June 2022 $'000	30 June 2021 $'000
Lease liabilities	4,536	4,089

Reconciliation

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

	30 June 2022 $'000	30 June 2021 $'000
Opening balance	4,530	4,784
Interest expense (included in finance cost)	279	273
Payments of lease liabilities	(954)	(851)
Remeasurement of lease liabilities	445	125
New leases	980	199
Derecognition	(126)	-
Closing balance	5,154	4,530

Refer to note [33] for further information on financial instruments.

Note 29. Non-current liabilities - provisions

	30 June 2022 $'000	30 June 2021 $'000
Employee benefits	679	3,692
Onerous contracts	252	318
Workers compensation	842	886
	1,773	4,896

Employee benefits

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

Onerous contracts

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

Workers compensation

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

Movements in provisions

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

	Onerous contracts $'000	Workers compensation $'000
30 June 2022		
Carrying amount at the start of the year	318	886
Unused amounts reversed	(66)	(44)
Carrying amount at the end oftheyear	252	842

Note 30. Non-current liabilities - deferred tax

	30 June 2022 $'000	30 June 2021 $'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Investment properties	354	-
Biological assets	173,627	212,829
Provisions	(13,309)	(15,990)
Insurance proceeds	8,263	-
Fixed asset	(1,646)	(1,275)
Others	(1,534)	(986)
	165,755	194,578
Amounts recognised in equity:		
Revaluation of property, plant and equipment	360,704	305,831
Retirement benefit obligations	(9,617)	(19,030)
	351,087	286,801
Deferred tax liability	516,842	481,379
Movements:		
Opening balance	481,379	481,964
Credited to profit or loss (note 9)	(29,222)	(24,004)
Charged to equity (note 9)	64,685	23,419
Closing balance	516,842	481,379

Note 31. Equity - contributed equity

	30 June 2022 $'000	30 June 2021 $'000
Capital contribution	491,706	491,706

Ordinary shares

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

- The Minister for Finance and Employee Relations; and
- The Treasurer.

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

Capital contributions

Contributed equity represents the NSW Government's investment in the Corporation. There were no changes in the year ended 30 June 2022.

Capital management policy

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

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

Notes to the financial statements *(continued)*
30 June 2022

Note 32. Equity - reserves

	30 June 2022 $'000	30 June 2021 $'000
Asset revaluation reserve	822,988	694,987
Reserve for deferred tax assets	50,092	50,092
	873,080	745,079

Asset revaluation reserve

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

Reserve for deferred tax assets

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

Note 33. Financial instruments

Financial risk management objectives

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

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

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

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Forward exchange contracts are used to hedge foreign currency risk for all committed foreign exchange exposures that are more than A$500,000.

Derivative financial Instruments.

The Corporation may use derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Market risk

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

Interest rate risk

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

The Corporation only holds units in the TCorpIM Funds trust. This trust only invests in cash and money market instruments that have an investment horizon up to 3 years (2021: 7 years).

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

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

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

Price Risk sensitivity

The NSW TCorp. TCorpIM Funds are subject to rates between -0.03% and -6.42% (2021: 0.06% and 2.59%).

For 2022 financial year, the price sensitivity from change in unit prices (as advised by the NSW TCorp) +/-10 % (2021:+/-10%) multiplied by redemption value as of 30 June is +/- $ 9,130,477 (2021 +/- 9,373,749).

Credit risk

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

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

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

Credit risk associated with the Corporation's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp. are guaranteed by the State and are rated as Moody's Aaa (Stable) and 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 1 year.

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

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

During the current year, credit risk has been heightened due to the COVID-19 events. The Corporation has proactively managed customer exposure through implementation of payment plans and the use of frequent credit assessments. A substantial majority of our trade receivables are derived from sales to timber sawmills. Our 10 largest customers in each of the operating divisions, accounted for 76% of forests sales revenue for 2022 (2021: 86%). Additionally, these customers accounted for 74% of our accounts receivable as of 30 June 2022 (2021: 85%).

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.

Notes to the financial statements *(continued)*
30 June 2022

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

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

Remaining contractual maturities

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

	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
30 June 2022						
Non-derivatives						
Non-interest bearing						
Trade creditors	-	49,562	-	-	-	49,562
Interest-bearing - variable						
Lease liability	5.40%	143	49	289	4,673	5,154
NSW Tcorp loans	2.70%	15,084	9,225	7,618	39,237	71,164
Total non-derivatives		64,789	9,274	7,907	43,910	125,880

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

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

Fair value of financial instruments

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

The fair value measurements for interest bearing loan and borrowings of $58,105,221 (2021: $88,388,000) are determined by NSW TCorp. and have been categorised as Level 2 fair values using the observable curves combined with margins derived from appropriate benchmarks/comparators.

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

	30 June 2022		30 June 2021	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Liabilities				
Borrowings	64,150	58,105	85,819	88,388
Lease liabilities	5,154	5,154	4,530	4,530
	69,304	63,259	90,349	92,918

Note 34. Fair value measurement

Fair value hierarchy

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

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

30 June 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land (including Crown and Freehold land)	-	1,172,969	-	1,172,969
Building	-	-	12,195	12,195
Plant and equipment	-	26,774	1,201	27,975
Roads and bridges	-	-	107,828	107,828
Investment properties	-	6,082	-	6,082
Intangible assets	-	-	511	511
Biological assets	-		623,768	623,768
Total assets	-	1,205,825	745,503	1,951,328

30 June 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land (including Crown and Freehold land)	-	1,039,336	-	1,039,336
Building	-		10,441	10,441
Plant and equipment	-	26,306	876	27,182
Roads and bridges	-	-	57,802	57,802
Investment properties	-	4,903	-	4,903
Intangible assets	-	-	515	515
Biological assets	-	-	753,578	753,578
Total assets	-	1,070,545	823,212	1,893,757

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

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

Notes to the financial statements *(continued)*
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Valuation techniques for fair value measurements categorised within level 2 and level 3

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

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

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

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

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

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

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

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

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

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

Biological assets: Current standing timber (Level 3)

Softwood

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

The key inputs used:

- Current and estimated future timber market prices per tonne or square metre.
- Estimated yield per hectare or estimated timber projections.
- Current and industry benchmark direct and indirect costs.
- Discount rate of 10.13%

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

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

Level 3 assets

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

	Plant and equipment $'000
Balance at 1 July 2020	1,265
Transfer to level 2 transport equipment	(40)
Disposal	(2)
Depreciation charged to profit or loss	(482)
Transfer from work in progress	135
Balance at 30 June 2021	876
Additions	815
Transfer to level 2 transport equipment	(65)
Depreciation charge to profit or loss	(425)
Balance at 30 June 2022	1,201

Movements in level 3 assets for Buildings and Roads and bridges are provided in note [16].

Movements in level 3 assets for Intangible assets are provided in note [20].

Movements in level 3 assets for Biological assets are provided in note [18].

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

Description	Unobservable inputs	Range (weighted average)	Sensitivity ($000)
2022			
a.Biological assets	(i)Discount rate	+/-1%	1% change would (decrease)/increase fair value by (49,478)/58,332
	(ii) Expected future sales values	+/-5%	5% change would increase/(decrease) the fair value by 92,149/(92,149)
	(iii) Expected future costs	+/-5%	5% change would (decrease)/increase the fair value by (66,336)/66,336
	(iv) Expected future changes in volume	+/-5%	5% change would increase/(decrease) the fair value by 47,062/(47,062)
2021			
a. Biological assets	(i) Discount rate %	+/-1%	1% change would (decrease)/increase fair value by (58,597)/68,877
	(ii) Expected future sales values	+/-5%	5% change would increase/(decrease) the fair value by 86,662/(86,662)
	(iii) Expected future costs	+/-5%	5% change would (decrease)/increase the fair value by (53,365)/53,365
	(iv) Expected future changes in volume	+/-5%	5% change would increase/(decrease) the fair value by 46,524/(46,524)

Notes to the financial statements *(continued)*
30 June 2022

Note 35. Key management personnel disclosures

Directors

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

James M. Millar AM	(completed term: 30 June 2022)	Chair-(Non-Executive)
Stefanie Loader	(appointed: Chair 1 July 2022)	Chair-(Non-Executive)
Mary Verschuer		Board Member (Non-Executive)
MatthewSexton		Board Member (Non-Executive)
Linda Sewell	(appointed: 29 November 2021)	Board Member (Non-Executive)
Rob de Fegely	(appointed: 1 April 2022)	Board Member (Non-Executive)
Sarah Kearney	(completed term: 14 February 2022)	Board Member(Non-Executive)

Other key management personnel

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

Anshul Chaudhary	Chief Executive Officer
Meredith Payne	General Manager Human Resources
Daniel Tuan	General Manager Hardwood Forests Division
Mike Beardsell*	General Manager Softwood Plantation Division
Ross Dickson	General Manager Governance & Assurance and Company Secretary
Grant Steen	Chief Financial Officer (acting to 25 September 2021 and appointed: 26 September 2021)

*Mike Beardsell transitioned to a non-executive role on 15 August 2022. Rachel Johnson was externally recruited into the position of the General Manager Softwood Plantation Division, on 8 August 2022.

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

Compensation

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

	30 June 2022 $	30 June 2021 $
Short-term employee benefits	2,471,219	2,281,733
Post-employment benefits	167,095	153,528
Long-term benefits	91,378	189,784
	2,729,692	2,625,045

Note 36. Remuneration of auditors

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

	30 June 2022 $	30 June 2021 $
Audit services - The Audit Office of New South Wales		
Audit of the financial statements (excluding GST)	310,900	314,000

Note 37. Commitments

	30 June 2022 $'000	30 June 2021 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
• Within one year	1	8
• One to five years	-	1
	1	9
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
• Property, plant and equipment	3,934	1,997

Amount disclosed as operating lease commitments includes GST of $100 (2021:$800) recoverable from the Australian Taxation Office.

Amount disclosed as capital commitments includes GST of $357,678 (2021:$181,536) recoverable from the Australian Taxation Office.

Note 38. Contingent liabilities\assets

As at 30 June 2022, 669,014 hectares (2021:768,739 hectares) of operational timber reserves were subject to claims under the Native Title Act. The impact of these claims cannot be quantified at this time.

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

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

Notices have been received for various alleged non-performances under environmental regulations. The Corporation is awaiting further information from the regulator and intends to defend its actions. It is not practical to estimate the potential effect of the notices at this stage.

Note 39. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Corporation's operations, the results of those operations, or the Corporation's state of affairs in future financial years.

Note 40. Non-current liabilities - retirement benefit obligations

Statement of financial position amounts

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

Statement of financial position amounts

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

	30 June 2022 $'000	30 June 2021 $'000
Present value of the defined benefit obligation	234,154	282,607
Fair value of defined benefit plan assets	(202,098)	(219,172)
Net liability in the statement of financial position	32,056	63,435

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

Notes to the financial statements *(continued)*
30 June 2022

Nature of the benefits provided by the fund

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

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- Police Superannuation Scheme (PSS)
- 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 New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

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

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2021. The next actuarial investigation will be performed as at 30 June 2024.

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)

Financial Year to 30 June	SASS		SANCS		SSS		Total	
	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000
Net Defined Benefit Liability/(Asset) at start of year	2,352	7,623	(2,859)	(1,405)	63,941	79,309	63,434	85,527
Current service cost	349	498	186	210	0	34	535	742
Net Interest on the net defined benefit liability/(asset)	56	194	(83)	(40)	1,810	2,149	1,783	2,303
Actual return on Fund assets less Interest income	2,572	(6,497)	293	(756)	4,941	(13,365)	7,806	(20,618)
Actuarial (gains)/losses arising from changes in demographic assumptions	0	2,623	0	87	0	(1,175)	0	1,534
Actuarial (gains)/losses arising from changes in financial assumptions	(9,911)	64	(551)	(138)	(35,860)	5,292	(46,322)	5,218
Actuarial (gains)/losses arising from liability experience	306	(1,241)	176	(639)	5,275	(8,273)	5,757	(10,153)
Employer contributions	(775)	(912)	(162)	(177)	0	(28)	(937)	(1,118)
Net Defined Benefit Liability/(Asset) at end of year	(5051)	2,352	(3,000)	(2,859)	40,107	63,941	32,056	63,435

Reconciliation of the Fair Value of Fund Assets

Financial Year to 30 June	SASS		SANCS		SSS		Total	
	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000
Fair value of Fund assets at beginning of the year	70,467	63,861	8,028	7,282	140,677	134,150	219,172	205,293
Interest income	1,915	1,658	219	187	3,810	3,467	5,944	5,312
Actual return on Fund assets less Interest income	(2,571)	6,497	(293)	756	(4,941)	13,365	(7,805)	20,618
Employer contributions	775	912	162	177	0	28	937	1,118
Contributions by participants	428	459	0	0	0	20	427	479
Benefits paid	(4,807)	(3,397)	(638)	(551)	(12,356)	(12,155)	(17,800)	(16,104)
Taxes, premiums & expenses paid	(11)	478	(27)	177	1,261	1,800	1,223	2,455
Fair value of Fund assets at end of the year	66,196	70,467	7,451	8,028	128,451	140,677	202,098	219,172

Reconciliation of the Defined Benefit Obligation

Financial Year to 30 June	SASS		SANCS		SSS		Total	
	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000
Present value of defined benefit obligations at beginning of the year	72,819	71,484	5,169	5,877	204,618	213,459	282,607	290,820
Current service cost	349	498	186	210	0	34	535	742
Interest cost	1,971	1,852	136	146	5,620	5,616	7,726	7,615
Contributions by participants	428	459	0	0	0	20	427	479
Actuarial (gains)/losses arising from changes in demographic assumptions	0	2,623	(0)	87	0	(1,175)	0	1,534
Actuarial (gains)/losses arising from changes in financial assumptions	(9,910)	64	(551)	(138)	(35,861)	5,292	(46,322)	5,218
Actuarial (gains)/losses arising from liability experience	306	(1,241)	176	(639)	5,275	(8,273)	5,757	(10,153)
Benefits paid	(4,807)	(3,397)	(638)	(551)	(12,356)	(12,155)	(17,801)	(16,104)
Taxes, premiums & expenses paid	(11)	478	(27)	177	1,260	1,800	1,223	2,455
Present value of defined benefit obligations at end of the year	61,145	72,819	4,451	5,169	168,557	204,618	234,152	282,607

Notes to the financial statements *(continued)*
30 June 2022

Fair value of Fund assets

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

Asset category	As at 30 June 2022				As at 30 June 2021			
	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Short Term Securities	5,041,193	1,854,969	3,186,223	0	5,108,370	2,398,668	2,709,702	0
Australian Fixed Interest	244,972	0	244,972	0	903,816	0	903,816	0
International Fixed Interest	1,439,642	4,287	1,415,027	20,329	1,755,026	45,227	1,709,799	0
Australian Equities	6,518,777	5,893,947	622,584	2,246	8,310,657	8,308,316	2,341	0
International Equities	12,174,407	12,002,063	169,289	3,055	13,889,679	13,884,532	5,148	0
Property	2,362,344	0	0	2,362,344	3,287,730	626,961	0	2,660,769
Alternatives	9,095,720	-637	2,160,192	6,936,165	8,529,710	759	2,709,828	5,819,124
Total	36,877,055	19,754,629	7,798,288	9,324,138	41,784,988	25,264,462	8,040,633	8,479,893

Fund assets

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

As at 30 June	2022 %	2021 %
Short Term Securities	13.7%	12.2%
Australian Fixed Interest	0.7%	2.2%
International Fixed Interest	3.9%	4.2%
Australian Equities	17.7%	19.9%
International Equities	33.0%	33.2%
Property	6.4%	7.9%
Alternatives	24.6%	20.4%
Total	100.0%	100.0%

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

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

Fair value of entity's own financial instruments

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

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 $362 million (30 June 2021: $328 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of $540 million (30 June 2021: $443 million).

Significant Actuarial Assumptions at the Reporting Date

As at 30 June	2022	2021
Discount rate	5.26%	2.83%
Salary increase rate (excluding promotional increases)	3.15% for 22/23, 3.62% for 23/24, 2.87% for 24/25, 2.74% for 25/26, 3.2% pa thereafter	2.74% pa 21/22 to 25/26; 3.2% pa thereafter
Rate of CPI increase	4.00% for 21/22; 5.50% for 22/23; 3.00% for 23/24 and 24/25; 2.75% for 25/26 and 26/27; 2.50% pa thereafter	1.50% for 20/21; 1.75% for 21/22 and 22/23; 2.25% for 23/24, 24/25 and 25/26; 2.50% for 26/27; 2.75% for 27/28, 3.00% for 28/29; 2.75% for 29/30; 2.50% pa thereafter
Pensioner mortality	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.	The pensioner mortality assumptions are those to be used for the 2021 Actuarial Investigation of the Pooled Fund. These assumptions will be disclosed in the actuarial investigation report when available from the trustee's website. The report will show the pension mortality rates for each age.

Sensitivity Analysis

The entity's total defined benefit obligation as at 30 June 2022 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2022.

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

As at 30 June	2022			2021		
	Base Case	Scenario A	Scenario B	Base Case	Scenario A	Scenario B
		-0.5% discount rate	+0.5% discount rate		-0.5% discount rate	+0.5% discount rate
Discount rate	as above	as above - 0.5% pa	as above +0.5% pa	as above	as above -0.5% pa	as above +0.5% pa
Rate of CPI increase	as above	as above	as above	as above	as above	as above
Salary inflation rate	as above	as above	as above	as above	as above	as above
Defined benefit obligation $'000	234,153	245,408	223,730	282,607	299,074	267,536

As at 30 June	2022			2021		
	Base Case	Scenario C	Scenario D	Base Case	Scenario C	Scenario D
		+0.5% rate of CPI increase	-0.5% rate of CPI increase		+0.5% rate of CPI increase	-0.5% rate of CPI increase
Discount rate	as above	as above	as above	as above	as above	as above
Rate of CPI increase	as above	as above +0.5% pa	as above -0.5% pa	as above	as above +0.5% pa	as above -0.5% pa
Salary inflation rate	as above	as above	as above	as above	as above	as above
Defined benefit obligation $'000	234,153	245,208	223,858	282,607	298,423	268,022

As at 30 June	2022			2021		
	Base Case	Scenario E	Scenario F	Base Case	Scenario E	Scenario F
		+0.5% salary increase rate	-0.5% salary increase rate		+0.5% salary increase rate	-0.5% salary increase rate
Discount rate	as above	as above	as above	as above	as above	as above
Rate of CPI increase	as above	as above	as above	as above	as above	as above
Salary inflation rate	as above	as above +0.5% pa	as above - 0.5% pa	as above	as above +0.5% pa	as above -0.5% pa
Defined benefit obligation $'000	234,153	234,776	233,547	282,607	283,492	281,748

Notes to the financial statements *(continued)*
30 June 2022

As at 30 June	2022			2021		
	Base Case	Scenario G	Scenario H	Base Case	Scenario G	Scenario H
		Lower mortality*	Higher mortality**		Lower mortality*	Higher mortality**
Defined benefit obligation $'000	234,153	236,237	232,127	282,607	285,478	279,505

**Assumes the short-term pensioner mortality improvement factors for years 2022-2026 also apply for years after 2026*

***Assumes the long-term pensioner mortality improvement factors for years post 2026 also apply for years 2022 to 2026*

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

Asset-Liability matching strategies

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

Funding arrangements

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

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

Surplus/deficit

The following is a summary of the 30 June 2022 financial position of the Fund calculated in accordance with AASB 1056 Accounting Standard "Superannuation Entities":

Financial Year to 30 June	SASS		SANCS		SSS		Total	
	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000
Accrued benefits*	56,420	57,905	4,658	4,855	136,751	133,361	197,829	196,121
Net market value of Fund assets	(66,196)	(70,467)	(7,451)	(8,028)	(128,451)	(140,677)	(202,098)	(219,172)
Net (surplus)/deficit	(9,776)	(12,563)	(2,793)	(3,173)	8,300	(7,315)	(4,269)	(23,051)

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

Contribution recommendations

Recommended contribution rates for the entity are:

	SASS		SANCS		SSS	
	2022	2021	2022	2021	2022	2021
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 June 2022 AASB 1056 Accounting Standard "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)	3.15% for 22/23, 3.62% for 23/24, 2.87% for 24/25, 2.74% for 25/26 and 3.2% pa thereafter
Expected rate of CPI increase	4.8% for 21/22 and 2.5% pa thereafter

Scenarios A and B relate to the sensitivity of the Accrued Benefits under AASB 1056 to changes in the expected return on Fund assets.

As at 30 June 2022	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	197,830	204,931	191,209
As at 30 June 2021	**Base Case %**	**Scenario A -0.5 % Discount rate**	**Scenario B +0.5 % Discount rate**
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	6.5% pa	6.0% pa	7.0% pa
Expected rate of return on Fund assets backing other liabilities (discount rate)	5.7% pa	5.2% pa	6.2% pa
Rate of CPI increase	2.0% pa	as base case	as base case
Salary inflation rate	2.74% pa	as base case	as base case
Accrued Benefits $'000	196,121	203,344	189,399

Expected contributions

Financial Year to 30 June	SASS		SANCS		SSS		Total	
	2023 $000	2022 $000	2023 $000	2022 $000	2023 $000	2022 $000	2023 $000	2022 $000
Expected employer contributions	756	812	141	156	0	0	897	968

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 9.6 years.

Profit and Loss Impact

For the year ended 30 June	SASS		SANCS		SSS		Total	
	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000
Current service cost	349	498	186	210	0	34	535	742
Net interest	55	194	(83)	(40)	1,810	2,149	1,782	2,303
Profit or loss component of the Defined Benefit Cost	404	692	103	170	1,810	2,183	2,317	3,044

Other Comprehensive Income

For the year ended 30 June	SASS		SANCS		SSS		Total	
	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000
Actuarial (gains) losses on liabilities	(9,605)	1,446	(375)	(691)	(30,585)	(4,156)	(40,565)	(3,401)
Actual return on Fund assets less Interest income	2,571	(6,497)	293	(756)	4,941	(13,365)	7,805	(20,618)
Total remeasurement in Other Comprehensive Income	(7,033)	(5,051)	(82)	(1,447)	(25,644)	(17,521)	(32,760)	(24,019)

End of the Audited Financial Statements

Director's declaration

Pursuant to the *Government Sector Finance Act 2018* (GSF act), 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* (GSF Act), the Government Sector Finance Regulation 2018, 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 report to be misleading or inaccurate;
- The attached financial statements and notes give a true and fair view of the Corporation's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- There are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

On behalf of the Directors

Stefanie Loader
Chair

Anshul Chaudhary
Chief Executive Officer

7 October 2022

INDEPENDENT AUDITOR'S REPORT

Forestry Corporation of New South Wales

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Forestry Corporation of New South Wales (the Corporation), which comprises the Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2022, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standard
- are in accordance with *Government Sector Audit Act 1983* (GSA Act)
- has been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2018 (GSF Regulation) and the Treasurer's Directions
- Present fairly the Corporation's financial position, financial performance and cash flows

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

Basis for Opinion

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

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

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

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

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

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

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2022. These matters were addressed in the context of my audit of the financial statements as a whole and in forming my opinion thereon, I do not provide a separate opinion on these matters. I have determined the matters described below to be the key audit matters to be communicated in my report.

Key Audit Matter	How my audit addressed the matter
Fair value measurement of biological assets	
At 30 June 2022, the Corporation reported $623.8 million in biological assets for the softwood division measured at fair value with the assistance of an independent valuation expert. A fair value adjustment of $130.7 million was recognised in the statement of profit and loss and other comprehensive income in the current financial year. Refer to Notes 2,4,15,18 and Note 34 in the financial statements for the related disclosures. I considered this to be one of most significance in the audit due to following reasons: • biological assets are financially significant to the financial statements • the (fair) valuation of the biological assets is a significant estimate that utilises several significant inputs, assumptions and key judgements and thus presents a high risk of material misstatement.	We understood and evaluated management's biological asset valuation process and tested the design and operational effectiveness of internal controls related to biological assets. Our audit procedures over valuation of biological asset softwood division included: • engaging a forestry valuation auditor's expert to review the mechanics of the valuation methodology for reasonableness • agreeing the wood flow information used in the valuation model to the forestry information maintained by the Corporation. • evaluating the appropriateness of the significant inputs, assumptions and judgements used in the valuation including growth and yield assumptions, timber selling prices, harvest and operating costs and discount rate • assessing the valuation methodology for compliance with the requirements of Australian Accounting Standards (AASB 141 Biological assets and AASB 13 Fair value) • testing the mathematical accuracy of the valuation model. We reviewed the biological assets disclosures in the financial statements for compliance with the requirements of the Australian Accounting Standards.
Fair value measurement of property, plant and equipment	
At 30 June 2022, the Corporation reported $1,322.7 million in property, plant and equipment measured at fair value. A revaluation gain of $131.7 million (net of tax) was recognised in the statement of other comprehensive income as a result of the triennial comprehensive revaluation. Refer to Notes 2,4,16 and Note 34 in the financial statements for the related disclosures. I considered this to be one of most significance in the audit due to following reasons: • property, plant and equipment is financially significant to the financial statements	We understood and evaluated management's property, plant and equipment valuation process and process for reviewing the valuations performed by external valuers. Our audit procedures over valuation of property, plant and equipment included: • agreeing the asset data used in the valuation by the expert to the Corporation's records • evaluating the appropriateness of the significant inputs, assumptions and judgements used in the valuation including recent sales prices (land), current replacement cost, assigning remaining useful lives based on condition rating, restriction discounting

Key Audit Matter	How my audit addressed the matter
• the (fair) valuation of the property, plant and equipment is a significant estimate that utilises several significant inputs, assumptions and key judgements and thus presents a high risk of material misstatement.	• engaging a roads valuation auditor's expert to benchmark the rates used for the road valuation for reasonableness • assessing the valuation methodology for compliance with the requirements of Australian Accounting Standards (AASB 116 Property, Plant and Equipment and AASB 13 Fair value) • testing the mathematical accuracy of the valuation model. We reviewed the property, plant and equipment disclosures in the financial statements for compliance with the requirements of the Australian Accounting Standards.
Valuing of defined benefit superannuation liabilities	
At 30 June 2022, the Corporation's statement of financial position reported defined benefit net superannuation liabilities totalling $32 million. This liability balance was provided to the Corporation by the Administrator of the SAS Trustee, based on an independent actuarial assessment. I considered this to be a key audit matter because: • the defined benefit superannuation liability is financially significant to the statement of financial position • the underlying liability valuation model (the model) is complex due to the significant degree of judgement required to determine key assumptions used to value the liability • the value of the liability is sensitive to minor changes in valuation inputs. Further information on the significant actuarial assumptions and sensitivity analysis is disclosed in Note 40.	Key audit procedures included the following: • Obtained an understanding of the processes and key controls in place supporting the defined benefit superannuation liability calculation • assessed the completeness and accuracy of the membership data used in the model • with the assistance of actuarial experts, reviewed the methodology and key assumptions for reasonableness • assessed qualifications, competence and objectivity of actuarial experts • evaluated the adequacy of financial statement disclosures against the requirements of applicable Australian Accounting Standards and Treasury Directions.

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 Regulations and the *State Owned Corporations Act 1989*. The Directors responsibilities also include 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/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

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

Alison Brown
Assistant Auditor-General

Delegate of the Auditor-General for New South Wales

11 October 2022
SYDNEY

Statutory information

Consultants

More than $50,000 (per engagement)

Vendor	Subject Matter	Amount $
Geotrack Engineering Pty Ltd	Road Engineering	385,868
Jones Lang Lasalle Advisory Services Pty Ltd	Accounting and Finance	102,250
Crowe Findex (Australia) Pty Ltd	Accounting and Finance	53,921
Nceonomics Pty Ltd	Management Services	52,493
Cailum Pty Ltd	Management Services	50,180
UBS Securities	Management Services	50,000
Johnson Winter & Slattery	Management Services	50,000

$50,000 or less (per engagement)

Forestry Corporation employed 57 consultants for engagements costing less than $50,000 at a total cost of $545,411.

Credit card certification

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

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

Cost of Annual Report

The total external costs incurred in the production of the Forestry Corporation Annual Report for FY22 were $7779.96 excluding GST. The Annual Report is available at **www.forestrycorporation.com.au**.

Finance information

Debt management

At 30 June 2022, Forestry Corporation's total borrowings were $64 million (2021: $86 million). The debt portfolio was sourced almost entirely through NSW Treasury Corporation (TCorp) and is actively managed to limit the cost of funds.

Debt portfolio performance

	Forestry Corporation	Benchmark
Market valuation 30 June 2022*	$ 58 million	N/A
Generalised cost of funds	2.42%	5.94%

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

At 30 June 2022, Forestry Corporation's debt was subject to interest charges at fixed rates from TCorp.

Investment performance

At 30 June 2022, Forestry Corporation's financial investments totalled $91 million (FY21: $94 million). The investment portfolio's performance is benchmarked against the NSW Treasury Corporation's TCorpIM Cash Fund, consistent with NSW Treasury guidelines and to maximise investment returns while maintaining appropriate risk controls.

Amounts have been lodged in the TCorpIM Cash Fund and Forestry Corporation has also invested surplus cash in short term funds within the investment portfolio of TCorp, which allow funds to be withdrawn as required. The table below details these investments and returns at 30 June 2022.

TCorp Fund Type	FY22			FY21		
	Investment ($)	Return ($)	%	Investment ($)	Return ($)	%
TCorp Cash Fund	41,391,618	(5,785)	(0.18)	13,937,266	35,740	0.29
TCorp Short Term	49,913,146	(336,993)	(0.67)	50,250,140	250,140	0.48
TCorp Medium Term (closed March 2022)	-	(991,218)	(1.67)	29,550,088	1,550,088	6.22

Budget and forward outlook

Detailed budgets are published annually in the Statement of Corporate Intent agreed with shareholders. An outline budget for FY23 is provided below:

	Financial year to 30 June 2023 budget	
	Measure	Target
Revenue	$m	407
EBITDA	$m	23
EBITDA on sales	%	6
EBIT	$m	13
Operating profit/(loss) before tax	$m	10
NPAT	$m	7
Dividend payout ratio	%	70
Return on equity (excl.land asset)	%	2

Government Information Public Access

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

Between 1 July 2021 and 30 June 2022, Forestry Corporation received seven formal applications for information under the GIPA Act. Two applications were received prior to 1 July 2021 but decided during FY22 and are included in this report. In line with the requirements of Section 8 of the GIPA Act, information about these applications is detailed in the tables below and has been supplied to the Information and Privacy Commission (IPC).

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

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/ deny whether information is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Members of Parliament	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	1	1	0	0	0	0	0
Members of the public (application by legal representative)	1	0	0	0	0	0	0	0
Members of the public (other)	0	5	0	0	0	0	0	0

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	6	1	0	0	0	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

Table C: Invalid applications

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

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

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

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

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	8
Decided after 35 days (by agreement with applicant)	1
Not decided within time (deemed refusal)	0
Total	9

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	1	1
Review by Information Commissioner	0	0	0
Internal review following recommendation under section 93 of Act	0	0	0
Review by NSW Civil and Administerative Tribunal (NCAT)	0	0	1
Total	0	1	1

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

	Number of applications for review
Applications by access applicants	0
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	1

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	0

Human resources

At the close of FY22, Forestry Corporation employed 562 full-time equivalent (FTE) staff. Of these staff, 331 were primarily involved in management, administration and technical roles, whilst 231 were engaged in field contractor management, road construction and maintenance, tree planting and pruning, nursery work, forest conservation and fire protection. Staff figures are compiled at the end of each financial year and do not include all seasonal and casual staff engaged during the year, such as seasonal firefighters engaged over the summer months (some seasonal firefighters are retained over the winter months resulting in fluctuations in field-based FTE).

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

Employee numbers – trend (full-time equivalent)

Year ended 30 June	Office-based	Field-based	Total
2019	315	217	532
2020	316	218	534
2021	317	232	549
2022*	331	231	562

**at final pay period 19 June 2022*

Workforce diversity

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

EEO group Year ended 30 June	Benchmark or target	2018	2019	2020	2021	2022
Women	50%	19.6%	21%	22%	23%	25%
Aboriginal and Torres Strait Islander peoples	2.6%	4.1%	4.2%	4.7%	4.2%	5%
People whose first language is not English	19%	5.5%	6.4%	6.4%	7.0%	6.4%
People with a disability	N/A	7.1%	12.7%	19.1%	15%	13%
People with a disability requiring work-related adjustment	1.5%	0.8%	0.6%	0.3%	0.3%	0.3%

Gender distribution of senior executives

Band	Female		Male	
	FY21	FY22	FY21	FY22
Band 4 or above	–	-	–	1
Band 3	–	-	2	1
Band 2	–	1	2	2
Band 1	1	-	1	1

Average remuneration of senior executives

Band	FY21 $	FY22 $
Band 4 or above	–	541,643
Band 3	399,159	385,438
Band 2	293,317	306,801
Band 1	253,549	272,084

Approximately three per cent (FY21: 3%) of total employee-related expenditure during the reporting year related to senior executives.

Health, safety and wellbeing

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

The lost time injury frequency rate for FY22 was 9.3 per million hours worked (FY21: 9.5) and total recordable injury frequency rate for FY22 was 17.6 per million hours worked (FY21: 14.6). There were two notifiable incidents under the *Work Health and Safety Act 2011* during the year. These were a serious snake bite requiring hospitalisation and a log breaching the protective guarding on a loader undertaking harvesting activity. SafeWork NSW issued an improvement notice relating to the log incident, which has been satisfactorily addressed and closed.

In FY22 Forestry Corporation invested significantly in additional safety resources to support the business, including transferring safety business partnering roles into key regional operational locations. Key health, safety and wellbeing initiatives in FY22 have focused on increasing communication, visibility and leadership engagement in safety; improving the quality of incident investigations and sharing of learning to reduce risk; and reviewing and improving processes for training. Haulage truck safety was addressed with nine regional truck safety forums held throughout the state to engage with haulage contractors and a comprehensive ongoing action plan developed to improve haulage safety outcomes. A musculoskeletal injury prevention program using a specialist occupational physiotherapy service has been successfully implemented in the two largest regional locations, with further locations to follow in FY23.

Public interest disclosures

Forestry Corporation has a Public Interest Disclosures (PID) policy, which is available on the website. Procedures for making and dealing with PIDs are also provided to assist staff. The policy and procedures were are available to staff via the intranet and staff newsletter. No PIDs were received during FY22.

Legislation and legal issues

Amendments were made to the *Forestry Act 2012* in FY22 as part of the *Energy Amendment Legislation Act 2021* to facilitate the opportunity to establish renewable energy infrastructure in State forest pine plantations. The *National Parks and Wildlife Amendment Bill 2021* revoked the State forest dedication over parts of Newnes, Wolgan and parts of Ben Bullen State Forests and reserved them as National Parks and State Conservation Areas to be managed by the National Parks and Wildlife Service. The *Annual Reports (Statutory Bodies) Act 1984* and the *Public Finance and Audit Act 1983* have been repealed and replaced entirely by the *Government Sector Finance Act 2018*.

Two prosecutions by the Environment Protection Authority in the Land and Environment Court were finalised in FY22. One prosecution commenced in FY21 is ongoing and another was commenced in FY22. Since the 30 June 2022, summonses have been issued in a further case. These three matters are yet to be finally heard by the court. Three civil proceedings also remain on foot.

Overseas visits

There were no overseas visits in the reporting period.

Research and development

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

Completed and continuing projects are outlined below.

Forest ecology

Publications were prepared showing that, while koala density numbers were impacted by wildfires, there was no impact of timber harvesting on density numbers. A publication was also prepared showing widespread occurrence of koalas on private land in North-East NSW.

Radio-tracking of GPS collared koalas was undertaken in forests regenerating after harvest. One paper submitted on tree use, finding differences in the species used between day and night and a preference for medium-sized trees (dbh: 30-60 cm). GPS data of movements are being analysed.

Annual monitoring of koala occupancy in North-East hinterland forests based on male koala bellows using acoustic sensors. Calls collected in 2021 continue the stable trend found since 2015 for the regional population.

Post-fire survey of golden-tipped bats with Western Sydney University found high severity fires impacted occupancy for this rainforest-dependent bat. Two papers published.

Publication of the response of the threatened south-eastern long-eared bat to management burning based on radio-tracking to assess roost selection in the post-burn landscape in the Pilliga.

Re-survey of biodiversity at North Coast hardwood plantations with the study beginning in 1997. A range of threatened species were detected including Koala, Brush-tailed Phascogale, Squirrel Glider and Yellow-bellied Glider.

Occupancy analyses of Southern Brown Bandicoots for the Forestry Corporation's Southern Region. A slow decline was detected over time (unrelated to harvesting), especially immediately after the 2019-20 fires.

Annual report from the DPI-Forestry Corporation Animal Ethics Committee to the Forestry Corporation CEO and Chief Scientist DPI. Annual reporting to DPI Animal Welfare Unit on animal use numbers (Form L).

Forest health and biosecurity

High throughput detection of fungal pathogens caught in Australian forestry insect surveillance traps. This project uses eDNA methods to detect potential exotic pathogens in forestry traps to assist in early detection of invading threats.

Ongoing pest risk analysis comparing traits of insects that have established in Australia with those that are identified as high risk to better identify potential threats to the forest industry. Leads to a more evidenced-based risk assessment of potential forest threats than is currently conducted in Australia.

Evaluating different lures to optimise detection of invading forest pests. A range of insect lures were evaluated to identify the best to use in early-detection surveillance around ports-of-entry.

Developed Forest Pest Factsheets (www.dpi.nsw.gov.au/forestry/science/forest-health/protect-what-we-love) of key exotic threats to forestry to aid in general surveillance. This included awareness and training sessions with urban stakeholders including local councils.

Preliminary investigation of remote sensing technologies to assist with forest health surveillance. Evaluating aerial sketch-mapping with high-resolution SkySat imagery and drone-captured imagery. Initial test cases using Dothistroma needle blight and possum damage.

Forest carbon

Evaluating productivity of various planted tree species managed on short rotation cycles for the potential future biomass supply.

Working with the Clean Energy Regulator on modifications to the Emissions Reduction Fund (ERF) Plantation Forestry method to make it less restrictive and more attractive for growers to participate.

Contribution to the development of the Forestry Corporation's Climate Change Strategy.

Development of factors for residue estimation in radiata pine forests to improve current predictions in yield estimation tools.

Investigating the impact of bushfires on radiata pine wood properties in a collaborative project.

Evaluating the acoustic device Hitman ST300 to measure wood stiffness in standing trees in Bondi State Forest by contributing to collaborative study.

Biometrics

A spatially explicit model (25m resolution) of commercial vs non-commercial forest was created for Forestry Corporation areas where Spatial Services airborne laser scanner (ALS) data were available.

A spatially explicit model for native forest Yield Association Groups (YAGs) was developed at 25m resolution for North Coast NSW.

Site productivity of forests using airborne laser scanner (ALS) data was modelled. The model was applied to the ALS data from Spatial Services and 25 m resolution and site index map for State forests was created.

RESDAT Administration: Making sure that database (RESDAT) is accessible and secure and access to data is provided to other researchers for better and more efficient use of the data.

Statistical support to Forest Science and Forestry Corporation staff, including:

- Creation of drought risk model: modelled the risk of drought-induced mortality for the *Pinus radiata* plantations in the Tumut and Bathurst regions. A spatially explicit model (100 m resolution) of drought risk regions was created. Also, produced maps of risk areas for the 2050 and 2070 climate change scenarios for the two regions, including GIS spatial layers.
- Time series analysis of Ips attack, bluestain and moisture content data for trees affected by varying intensity of fires.
- Analysis of Softwood Plantations Division fertiliser trials data.

Forestry Corporation collaborated in the National Institute for Forest Product Innovation (NIFPI) research project "Solutions for the optimal use of dense, remotely acquired data by forest growers" which was concluded at the end of June 2022. In addition, Forestry Corporation participated in number of Forest and Wood Products Australia (FWPA) projects including:

- Value optimisation and improving supply chains in plantation forests.
- Operational immersive visualisation and measurement of dense point cloud data in forest inventory.
- Modelling native forest structure from coincident terrestrial and airborne LiDAR
- Improved tools to predict fertiliser response and profitability in softwood plantations.

Forestry Corporation has continued to invest in technology and internal innovation projects including satellite and camera-based early fire detection, precision forest navigation systems and expansion of the Remotely Piloted Aircraft Systems (drone) program for forest and fire management. During the year, the Forestry Corporation RPAS fleet was expanded to almost 100 units, including 20 with thermal capability. During FY22, Forestry Corporation trialled the use of lightweight Mavic Mini drones and subsequently trained and accredited 35 Mini pilots, in addition to the existing 47 Remote Pilot Licence (RePL) accredited operators.

Forestry Corporation's tree improvement program includes tree breeding undertaken by the Radiata Pine Breeding Company (RPBC) and the establishment and measurement of two RPBC elite breeds and five Forestry Corporation genotype x environment (GxE) tree breeding trials. In addition to the seven trial sites established in 2021, three tree improvement trials (2014 seed orchard comparison, 2005 spacing x genetics trial and a biochar trial) were also measured in FY22.

Responding to community concerns

Forestry Corporation's stakeholder engagement policy can be viewed on our website. This policy outlines our commitment to facilitating opportunities for effective and meaningful engagement with stakeholders. Stakeholder engagement was undertaken in FY22 as part of routine operational planning across all aspects of the business. A complaints process is also outlined on our website.

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

Risk management and internal audit

Forestry Corporation's Board has an Audit and Risk Committee established under 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 the audits are undertaken by external service providers, selected from a shortlist of preferred providers, based on a tendering process.

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

Four internal audits were completed during the year, covering Forestry Corporation's procedures for the use of the fire stimulus funding, fleet management, spatial services and contract management. A review of Forestry Corporation's compliance framework was also undertaken. At 30 June 2022, an audit of Forestry Corporation's management of its Chain of Responsibilities is underway, along with a review of the organisation's risk management framework. The audit plan was approved by the Audit and Risk Committee of the Board in October 2021.

Risk management

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

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

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

Key enterprise risks, and the management strategies put in place to address them, are outlined below.

A fatality, serious injury or significant incident

Forestry Corporation's Health and Safety Management System is risk basked 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 Safe and Skilled is planned for FY23 and will be completed in FY24.

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 maintains a hazard reduction burning program and grazing activities minimise fuel loads and 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.

Environmental non-compliance

Forestry Corporation takes compliance with its environmental legislation with the utmost seriousness. Staff are trained, and a range of procedural information provides appropriate direction. A scheduled monitoring and audit program contributes to a continuous improvement cycle, while a Compliance Assurance Team provides an additional level of oversight.

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.

Meeting 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.

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

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

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

Insurance

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

After the end of the reporting period, an insurance claim lodged in 2020 for the additional costs of working with salvage timber after the 2019-20 bushfires was settled, resulting in a payment of $27.5 million.

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

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

Exemptions from reporting provisions

Statutory requirements	Statutory references *	Comments
Paying accounts ■ performance in paying accounts, including action to improve payment performance	Schedule 1 ARSBR	Statutory State Owned Corporations are exempt from account payment reporting provisions.
Time for paying ■ reasons for late payment ■ interest paid due to late payments	Schedule 1 ARSBR	As above

** Annual Reports (Statutory Bodies) Regulation 2015.*

The notice below has been produced in this Annual Report in line with the publication order made in the judgment.

Forestry Corporation of NSW convicted of four offences after felling trees in koala and rainforest exclusion zones in Wild Cattle Creek State Forest

Forestry Corporation of NSW was prosecuted by the Environment Protection Authority (‘EPA’) and pleaded guilty to four offences of breaching a condition of its biodiversity conservation licence.

During April to September 2018, Forestry Corporation of NSW carried out harvesting operations in Wild Cattle Creek State Forest near Coffs Harbour. During these harvesting operations, Forestry Corporation of NSW failed to comply with a condition of a biodiversity conservation licence in that Forestry Corporation of NSW conducted forestry activities in areas that were required to be protected.

Forestry Corporation of NSW felled four large trees and constructed and operated snig tracks within a koala high use area exclusion zone; felled three trees in areas of mapped rainforest; and felled two trees in an exclusion zone around warm temperate rainforest in breach of s 2.14(4) of the *Biodiversity Conservation Act 2016* (NSW).

As a result, the harvesting operations harmed koala breeding habitat and rainforest.

On 9 June 2022, the Land and Environment Court of NSW convicted Forestry Corporation of NSW of the offences and ordered Forestry Corporation of NSW to:

(1) Pay fines totalling $135,600;
(2) Pay the EPA’s costs in the sum of $150,000; and
(3) Cause this notice to be published.

Places of business

Forestry Corporation Head Office

121–131 Oratava Ave
West Pennant Hills
NSW 2125

Major regional offices are listed on the Forestry Corporation website.

Contact us

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

www.forestrycorporation.com.au

info@fcnsw.com.au

Enquiries about visiting forests: 1300 655 687

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

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

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Forestry Corporation Annual Report 2021–22

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Forestry Corporation

forestrycorporation.com.au