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To the Chair of the Board South Australian Forestry Corporation

Opinion

I have audited the financial report of the South Australian Forestry Corporation for the financial year ended 30 June 2023.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the South Australian Forestry Corporation as at 30 June 2023, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2023
- a Statement of Financial Position as at 30 June 2023
- a Statement of Changes in Equity for the year ended 30 June 2023
- a Statement of Cash Flows for the year ended 30 June 2023
- notes, comprising material accounting policy information and other explanatory information
- a Certificate from the Chair, Chief Executive and the Chief Finance Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the South Australian Forestry Corporation. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

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

Responsibilities of the Chief Executive and members of the Board for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Chief Executive is responsible for assessing the entity's ability to continue as a going concern. The Chief Executive is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

The members of the Board are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 32(4) of the *Public Corporations Act 1993*, I have audited the financial report of the South Australian Forestry Corporation for the financial year ended 30 June 2023.

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the South Australian Forestry Corporation internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- conclude on the appropriateness of the Chief Executive's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive and members of the Board about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Daniel O'Donohue
Assistant Auditor-General (Financial Audit)

28 September 2023

South Australian Forestry Corporation

Financial Statements

for the year ended

30 June 2023

South Australian Forestry Corporation

Certification of the 2022-23 Financial Statements

We certify that the:

- financial statements of the South Australian Forestry Corporation (ForestrySA):
 - are in accordance with the accounts and records of ForestrySA;
 - comply with the relevant Treasurer's Instructions;
 - comply with relevant Australian accounting standards; and
 - present a true and fair view of the financial position of ForestrySA at the end of the financial year and the results of its operations and cash flows for the financial year.
- internal controls employed by ForestrySA for the financial year over its financial reporting and its preparation of financial statements have been effective.



Timothy Ryan

CHIEF EXECUTIVE

SOUTH AUSTRALIAN FORESTRY CORPORATION



Michael Hanton

CHIEF FINANCE OFFICER

SOUTH AUSTRALIAN FORESTRY CORPORATION



June Roache

CHAIR

SOUTH AUSTRALIAN FORESTRY CORPORATION

Date **27** September 2023

South Australian Forestry Corporation

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Statement of Comprehensive Income

For the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Income			
Sales - timber products	2.1	15,936	15,004
Revenues from SA Government	2.2	4,469	4,331
Interest	2.3	611	32
Other income	2.5	1,159	3,267
Total income		22,175	22,634
Expenses			
Employee benefits	3.3	4,956	4,407
Contractors	4.1	9,835	11,582
Materials		523	934
Equipment and vehicle costs		883	577
Council rates		302	309
Depreciation and amortisation	4.2	990	1,192
Borrowing costs	4.3	8	12
Net loss from the disposal of property, plant and equipment	2.4	76	943
Green Triangle Fire Tower Funding Project	4.5	2,346	-
Other expenses	4.4	2,646	3,693
Total expenses		22,565	23,649
Trading profit/(loss) before revaluation of non-current assets		(390)	(1,015)
Net change in value of forest assets	5.5	15,083	52,024
Net revaluation decrement of other non-current assets	5.7	-	(57)
Profit/(loss) before income tax equivalent		14,693	50,952
Income tax equivalent expense		-	-
Profit/(loss) after income tax equivalent		14,693	50,952
Other Comprehensive Income			
Items that will not be reclassified to profit and loss			
Changes in land revaluation surplus	5.2	3,145	1,410
Changes in property, plant and equipment asset revaluation surplus	5.2	-	-
Items that will be reclassified subsequently to net result when specific conditions are met			
Gains or losses recognised directly in equity			
Total other comprehensive income		3,145	1,410
Total comprehensive result		17,838	52,362

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

Statement of Financial Position

As at 30 June 2023

	Note	2023 \$'000	2022 \$'000
Current assets			
Cash and cash equivalents	6.1	19,258	20,834
Receivables	6.2	2,264	1,714
Inventories	5.6	63	129
Forest assets	5.5	11,574	8,718
Assets classified as held for sale	5.7	2,299	1,959
Total current assets		35,458	33,354
Non-current assets			
Forest assets	5.5	112,045	99,818
Property, plant and equipment	5.1	49,385	46,625
Intangible assets	5.4	4	30
Total non-current assets		161,434	146,474
Total assets		196,892	179,828
Current liabilities			
Payables	7.1	1,011	1,507
Financial liabilities	7.2	129	125
Employee benefits	3.4	332	489
Other provisions	7.3	315	232
Other liabilities	7.4	277	191
Total current liabilities		2,064	2,544
Non-current liabilities			
Payables	7.1	46	47
Financial liabilities	7.2	168	238
Employee benefits	3.4	648	501
Other provisions	7.3	1,033	1,110
Other liabilities	7.4	826	1,117
Total non-current liabilities		2,721	3,013
Total liabilities		4,785	5,558
Net Assets		192,107	174,270
Equity			
Retained earnings		25,348	25,739
Other reserves		166,759	148,531
Total Equity		192,107	174,270

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2023

	Note	Asset revaluation surplus \$'000	Forest assets reserve \$'000	Retained earnings \$'000	Total Equity \$'000
Balance at 1 July 2021		43,612	51,535	26,761	121,908
Net result for 2021-22					
Gain/loss on revaluation of land	5.2	1,410	-	-	1,410
Profit/(loss) for the period		-	-	50,952	50,952
Total comprehensive result for 2021-22		1,410	-	50,952	52,362
Transfer between equity components		(49)	52,024	(51,975)	-
Balance at 30 June 2022		44,973	103,559	25,739	174,270
Net result for 2022-23					
Gain/loss on revaluation of land	5.2	3,145	-	-	3,145
Profit/(loss) after income tax equivalent		-	-	14,693	14,693
Total comprehensive result for 2022-23		3,145	-	14,693	17,838
Transfer between equity components		-	15,083	(15,083)	-
Transactions with SA Government as owner					
Balance at 30 June 2023		48,118	118,642	25,348	192,107

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

Statement of Cash Flows
For the year ended 30 June 2023

Note 2023 2022
 \$'000 \$'000

	Note	2023 \$'000	2022 \$'000
Cash flows from operating activities			
<i>Cash inflows</i>			
Receipts from customers		19,859	18,623
Receipts from SA Government		2,508	4,322
Interest received		565	22
GST recovered from the ATO		(555)	(646)
Cash generated from operations		22,377	22,321
<i>Cash outflows</i>			
Employee benefits payments		(4,966)	(4,362)
Payments for supplies and services		(15,572)	(19,102)
Green Triangle Fire Tower funding to PIRSA		(2,346)	
Interest paid		(8)	(12)
Cash used in operations		(22,892)	(23,475)
Net cash provided by/(used in) operating activities	8.2	(515)	(1,154)
Cash flows from investing activities			
<i>Cash inflows</i>			
Proceeds from the sale of property, plant and equipment		(84)	116
Cash generated from investing activities		(84)	116
<i>Cash outflows</i>			
Purchase of property, plant and equipment		(911)	(1,295)
Purchase of intangible assets		-	(21)
Cash used in investing activities		(911)	(1,316)
Net cash provided by/(used in) investing activities		(995)	(1,200)
Cash flows from financing activities			
<i>Cash inflows</i>			
Proceeds from borrowings		78	
Cash generated from financing activities		78	-
<i>Cash outflows</i>			
Repayment of leases		(144)	(133)
Cash used in financing activities		(144)	(133)
Net cash provided by/(used in) financing activities		(66)	(133)
Net increase/(decrease) in cash and cash equivalents		(1,576)	(2,486)
Cash and cash equivalents at the beginning of the period		20,834	23,320
Cash and cash equivalents at the end of the period	8.2	19,258	20,834

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
For the year ended 30 June 2023

1 About the South Australian Forestry Corporation

The South Australian Forestry Corporation (ForestrySA) was established under the *South Australian Forestry Corporation Act 2000* on 1 January 2001. ForestrySA is subject to the provisions of the *Public Corporations Act 1993*.

Key responsibilities of ForestrySA are to:

- Manage state-owned plantation forests for commercial production in line with best practice standards for forestry operations and environmental management;
- Maximise the value of the Corporation whilst achieving other key requirements of government;
- Encourage and facilitate regionally based economic activities based on forestry and other industries;
- Support regional resource protection initiatives and programs;
- Support the concept of environmental sustainability which assists in the protection of natural assets and market accessibility; and
- Support cooperative research activities within the forestry industry.

Green Triangle agency agreement

The South Australian Government retains obligations in the Green Triangle region as stipulated under the Operations Deed related to the South Australian Plantation Lease Agreement with OneFortyOne Plantations Pty Ltd (OFO). These include native forest management, community use of forests, community fire protection and forest industry support activities performed by ForestrySA on behalf of government under a Memorandum of Administrative Arrangement (MoAA) for delivery of Community Service Obligations.

Dividend payments

In the event ForestrySA makes a profit it is required to pay a dividend to Government.

1.1 Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards.

For the purposes of preparing the financial statements, Forestry SA is a for-profit entity. The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

Income, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, ForestrySA has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

Tax Equivalent Payments are required to be paid by ForestrySA to the Treasurer, in accordance with Treasurer's Instruction 22, if an accounting profit is achieved. When applicable, income tax equivalent is calculated as 30% of accounting profit before tax, adjusted for forest assets revaluation gains or losses and after deducting any approved forest operating costs which have been capitalised to the forest assets. Land revaluation increments included in Comprehensive Income are also excluded from tax calculations.

Notes to the Financial Statements
For the year ended 30 June 2023

1.2 Changes in Accounting Policy

Upon review of asset useful lives the span of lives detailed in note 4.2 has been expanded to account for the varying nature of assets within these classes. There has been no material affect to the financial statements as a result of this change.

Some log sales agreements contain a clause which guarantees 85% of the value of the contracted annual log supply, even if the customer does not achieve the agreed monthly purchase volumes.

The accounting policy has been changed such that these guaranteed volumes of log sales are no longer considered an unconditional right to consideration under AASB15 Revenue from Contracts with Customers. Contract receivables and contract liabilities as at 30 June 2022 have been derecognised. The resulting effect on the financial statements is detailed below

Receivables (2021-22 note 6.2)

	2022 \$'000	Previously Reported \$'000
Current		
Trade receivables - SA Gov	10	10
Trade receivables - Non SA Gov	1,575	1,575
Contract receivables - guaranteed log volume sales	-	11,867
Less impairment loss on receivables	(155)	(155)
Subsidies	48	48
Accrued revenue	235	235
Prepayments	1,713	13,580
Non-current		
Contract receivables non current- guaranteed log volume sales	-	110,688
Total non-current receivables	-	110,688

Contract liabilities (2021-22 note 7.3)

	2022 \$'000	Previously Reported \$'000
Current		
Contract liability	-	11,867
Total current contract liabilities	-	11,867
Non-current		
Contract liability	-	110,688
Total non-current contract liabilities	-	110,688
Total contract liabilities	-	122,555

Notes to the Financial Statements
For the year ended 30 June 2023

1.3 Segment reporting

For management purposes ForestrySA is organised into two segments. The reportable segments are:

- Commercial: plantation operations, other commercial activities, establishment activities and all overheads.
- Non-commercial: operations performed for the South Australian Government under ForestrySA's Charter.

Statement of Comprehensive Income by Operating Segment
For the year ended 30 June 2023

	Commercial		Non-Commercial		Total	
	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income						
Sales - timber products	15,936	15,004	-	-	15,936	15,004
Revenues from SA Government	76	-	4,393	4,331	4,469	4,331
Interest	611	32	-	-	611	32
Other income	826	1,123	333	2,144	1,159	3,267
Net gain from the disposal of property, plant and equipment	-	-	-	-	-	-
Total income	17,449	16,159	4,726	6,475	22,175	22,634
Expenses						
Employee benefits	3,551	2,511	1,405	1,896	4,956	4,407
Contractors	7,993	8,089	1,842	3,493	9,835	11,582
Depreciation and amortisation	794	624	196	568	990	1,192
Materials	464	485	59	449	523	934
Equipment and vehicle costs	762	294	121	283	883	577
Council rates	302	309	-	-	302	309
Green Triangle Fire Tower Funding Project	-	-	2,346	-	2,346	-
Other expenses	1,619	2,294	1,027	1,399	2,646	3,693
Net loss from the disposal of property, plant and equipment	(0)	24	76	919	76	943
Borrowing costs	8	1	-	11	8	12
Total expenses	15,493	14,632	7,072	9,018	22,565	23,649
Trading profit/(loss) before revaluation of non-current assets	1,955	1,528	(2,346)	(2,543)	(390)	(1,015)
Net change in value of forest assets	15,083	52,024	-	-	15,083	52,024
Net revaluation decrement of other non-current assets	-	-	-	(57)	-	(57)
Net result before income tax equivalent	17,038	53,552	(2,346)	(2,600)	14,693	50,952
Income tax equivalent expense	-	-	-	-	-	-
Net result after income tax equivalent	17,038	53,552	(2,346)	(2,600)	14,693	50,952
Other Comprehensive Income						
Items that will not be reclassified to net result						
Changes in land revaluation surplus	3,145	1,410	-	-	3,145	1,410
Total other comprehensive income	3,145	1,410	-	-	3,145	1,410
Total comprehensive result	20,184	54,961	(2,346)	(2,600)	17,838	52,362

Notes to the Financial Statements
For the year ended 30 June 2023

1.4 Impact of COVID-19 pandemic

With market demand remaining positive, the COVID-19 pandemic has had little impact on the financial result of ForestrySA, however interruptions to logistics and contractor availability have delayed capital works projects related to Fire vehicle upgrades, the Fox Creek rebuild Grant and some non plantation commercial opportunities.

1.5 Significant transactions with government related entities

Significant transactions with the SA Government are identifiable throughout this financial report.

In addition:

- ForestrySA receives funding from the SA Government for the provision of certain non-commercial operations. These are the community service obligations (CSOs):
 1. Native forest management,
 2. Community use of forests,
 3. Community fire protection.
- Lease payments relate to vehicles supplied by Fleet SA.
- Funding for use of the Government Radio Network (GRN).
- MoAA with Department for Environment and Water (DEW) for the sub-contracting of land and fire management requirements in the Green Triangle region.
- Funding for the Green Triangle fire tower project administered by Department of Primary Industries and Regions (PIRSA).

2 Income

2.1 Revenues from sales - timber products

	2023	2022
	\$'000	\$'000
Revenue from log sales	15,932	14,976
Revenue from other timber sales	4	28
Total revenues from sales - timber products	15,936	15,004

All revenue from timber product sales is revenue recognised from contracts with customers.

Income is recognised as performance obligations are met i.e. logs are delivered, or when ForestrySA realises its right to income for customers not achieving their required monthly log purchase.

**Notes to the Financial Statements
For the year ended 30 June 2023**

2.2 Revenues from SA Government

	2023 \$'000	2022 \$'000
Revenues from SA Government		
Community Service Obligation funding (1)	3,931	3,823
Government radio network funding	462	451
Deferred revenues from SA Government (1)	76	57
Net revenues from SA Government	4,469	4,331

(1) CSO funding used for capital expenditure is recognised in revenue over the life of the asset.

Revenues from SA Government comprise funding from the Department of Primary Industries and Regions (PIRSA) for the operation of the Government radio network (GRN) and provision of Community Service Obligation (CSO) activities, including native forest management, community use of forests, and community fire protection. This funding is recognised where there is reasonable assurance that the funding will be received and ForestrySA will comply with all attached conditions. There are no unfulfilled conditions or other contingencies attached to this funding.

2.3 Interest Revenue

	2023 \$'000	2022 \$'000
Interest received	611	32
Total interest revenue	611	32

2.4 Net gain/(loss) from the disposal of property, plant and equipment

	2023 \$'000	2022 \$'000
Land and buildings:		
Proceeds from disposal	-	-
Less expenses on disposal	-	-
Less carrying amount of assets disposed	-	(919)
Net gain/(loss) from disposal of land and buildings	-	(919)
Plant and equipment:		
Proceeds from disposal	-	46
Less expenses on disposal	-	-
Less carrying amount of assets disposed	-	(70)
Net gain/(loss) from disposal of plant and equipment	-	(24)
Roads and land improvements		
Proceeds from disposal	-	-
Less expenses on disposal	-	-
Less carrying amount of assets disposed	(77)	-
Net gain/(loss) from disposal of plant and equipment	(77)	-
Total assets:		
Total proceeds from disposal	-	46
Less expenses on disposal	-	-
Less total carrying amount of assets disposed	(77)	(989)
Total net gain (loss) from disposal of assets	(77)	(943)

Losses relate to the divestment of forest reserve in the Mid North region in accordance with the Mid North Forests Future Strategy - Land \$0 2023 (2022: \$919k) roads and land improvements \$77k (2022: \$0).

Notes to the Financial Statements
For the year ended 30 June 2023

2.5 Other income

	2023	2022
	\$'000	\$'000
Leases and Licences	452	372
Other revenue from non SA Government entities	443	752
Grant funding	264	2,143
Other income	1,159	3,267

Leases and Licences

Income from licences for grazing or other activities on forest reserves, leases for commercial tenancies in the office building in Mt Gambier and recoupment of costs relating to the commercial lease of the office building .

Other Revenue

Other revenue includes income from recreational activities, weighbridge, and other rechargeable commercial work.

Grant Funding

Grant funding includes income received from the Commonwealth Government National Bushfire Recovery Fund via the Local Economic Recovery Program for the redevelopment of the Fox Creek Bike Park. The funding is initially recorded as a liability until project expenditure has occurred at which time an offsetting amount is recorded as revenue.

3 Board, committees and employees

3.1 Key management personnel

Key management personnel of ForestrySA include the Minister for Primary Industries and Regional Development and Minister for Forest Industries, Board, committee members, the Chief Executive, Chief Finance Officer, General Manager Operations and General Manager

Total compensation for key management personnel was \$921,000 in 2022-23 and \$805,000 in 2021-22.

The compensation disclosed in this note excludes salaries and other benefits the Minister for Primary Industries and Regional Development and Minister for Forest Industries receives. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990* .

	2023	2022
	\$'000	\$'000
Compensation		
Salaries and other short term employee benefits	775	732
Post-employment benefits	80	73
Termination Benefits	66	-
Total	921	805

Transactions with key management personnel and other related parties

ForestrySA did not enter into any transactions with key management personnel or their close families during the financial year that were not consistent with the normal course of business.

Notes to the Financial Statements
For the year ended 30 June 2023

3.2 Board and committee members

Members during the 2022-23 financial year were:

Board

J. Roache (Chair)
T. Stollznow (resigned 01-12-2022)
G. Pelton*
R. Sinclair (commenced 01-01-2023)
L. McKinnon* (commenced 01-01-2023)
H. Neumann (commenced 01-04-2023)

Audit and Risk Committee

S.Rodger (Chair)
J. Roache (to 31-01-2023)
G. Pelton*
R. Sinclair (commenced 01-02-2023)
L. McKinnon* (commenced 01-02-2023)

*In accordance with the Department of Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board/committee duties during the financial year.

Board and committee remuneration	2023	2022
	\$'000	\$'000

The number of members whose remuneration received or receivable falls within the following bands:

\$0 - \$19,999	6	2
\$20,000 - \$39,999	-	1
\$40,000 - \$59,999	1	1
Total number of members	7	4

The total remuneration received and receivable by those governing members was \$101,000 (2022: \$98,000) which includes fringe benefits and superannuation contributions.

3.3 Employee benefits expenses

	2023	2022
	\$'000	\$'000
Salaries and wages	4,057	3,448
Long service leave	15	80
Skills and experience retention leave	15	10
Annual leave	255	270
Employment on-costs - superannuation	415	365
Targeted Voluntary Separation Packages & Public Sector Rejuvenation Termination Payments	-	50
Employment on-costs - other	199	184
Total employee benefits expenses	4,956	4,407

Employment on-costs – superannuation

The superannuation employment on-cost charge represents ForestrySA's contributions to superannuation plans in respect of current services of current employees.

Executive remuneration

	2023	2022
	No	No

The number of employees whose remuneration received or receivable falls within the following bands:

\$157,001 to \$160,000*	-	1
\$160,001 to \$180,000	1	-
\$260,001+	1	1
Total number of employees	2	2

* This band has been included for the purpose of reporting comparative figures based on the executive base level remuneration rate for 2021-22.

The total remuneration received by those employees for the year was \$510,000 (2022: \$418,000).

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

Notes to the Financial Statements
For the year ended 30 June 2023

Targeted Voluntary Separation Packages (TVSPs) and Public Sector Rejuvenation packages

The number of employees who received or are entitled to receive Separation Packages during the reporting period was 0 (2022: 1).

	2023	2022
	\$'000	\$'000
Amount paid to separated employees:		
Targeted Voluntary Separation Packages & Public Sector Renewal Termination Payments	-	50
Leave paid to separated employees	-	36
Net cost	-	86

3.4 Employee benefits liability

	2023	2022
	\$'000	\$'000
Current		
Accrued salaries and wages	55	176
Annual leave	205	195
Long service leave	60	106
Skills and experience retention leave	12	12
Total current employee benefits	332	489
Non-current		
Long service leave	648	501
Total non-current employee benefits	648	501
Total employee benefits	980	990

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Salaries and wages, annual leave, skills and experience retention leave (SERL) and sick leave

The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

The annual leave liability and the SERL liability in full is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided at note 10.1.

Notes to the Financial Statements
For the year ended 30 June 2023

4 Expenses

Employee benefits expenses are disclosed in note 3.3.

4.1 Contractors

	2023	2022
	\$'000	\$'000
Log Harvesting	3,141	3,124
Log Transport	3,063	3,347
Inter Governmental	1,064	908
Project expenditure - Incl Fox Creek Bike Park rebuild	244	1,109
Advanced Fire Protection project	-	427
Other Contractors	2,323	2,667
Total contractors	9,835	11,582

Inter governmental contractors relate to the MoAA with Department for Environment & Water (DEW) for the sub-contracting of land & fire management requirements in the Green Triangle region as part of the organisations community fire protection program.

The redevelopment of the Fox Creek Bike Park is funded via a grant received from the Commonwealth Government National Bushfire Recovery Fund via the Local Economic Recovery Program.

The advanced fire protection project was a Government initiative for improved fire prevention and detection in the Green Triangle region funded by ForestrySA across the 2020-21 and 2021-22 financial years.

4.2 Depreciation and amortisation

	2023	2022
	\$'000	\$'000
Buildings and structures	233	551
Plant and equipment	356	322
Right-of-use vehicles	142	114
Roads and land improvements	233	185
Intangible assets	26	20
Total depreciation and amortisation	990	1,192

All non-current assets, with a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

Useful life

Depreciation and amortisation are calculated on a straight-line basis. Property, plant and equipment and intangible assets depreciation are calculated over the estimated useful life as follows:

Class of asset	Useful life (years)
Buildings and structures	1-60
Plant and equipment	1-25
Right-of-use plant and equipment	Lease term
Road and land improvements	1-25
Intangibles	1-3

Review of accounting estimates

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, on an annual basis. Changes in the expected life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate. A review of depreciation was conducted during the transfer of assets to a new financial reporting system with some amendments being made to useful life.

The span of useful lives of asset classes have been expanded to allow for the varying nature of assets held by the organisation within each class of asset.

Notes to the Financial Statements
For the year ended 30 June 2023

4.3 Borrowing costs

	2023 \$'000	2022 \$'000
Interest expense on lease liabilities	8	12
Total borrowing costs	8	12

ForestrySA does not capitalise borrowing costs.

4.4 Other Expenses

	2023 \$'000	2022 \$'000
Consultants	16	87
Information and communications technology	602	725
Government Radio Network	462	451
Workers compensation	257	130
Legal and professional fees	322	416
Utilities	104	119
Building and facility maintenance	196	215
Insurance	129	107
Sponsorship and membership fees	83	96
Employee expenses	160	78
External audit fees	73	73
Fox Creek Bike Park Rebuild	4	608
Bad & Doubtful Debts	(125)	140
Forest inventory, including tree measuring costs	95	115
GIS Services	69	81
Settlements in relation to legal disputes	-	92
Miscellaneous other costs	199	160
Total other expenses	2,646	3,693

Legal and professional fees

Costs driving legal and professional fees in order of significance are employment advice, Internal Audit services, Forest Valuation services, Mid North land disposal, general services and legal advice.

External audit fees

Audit fees paid / payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$70,000 (2022: \$73,000). No other services were provided by the Auditor-General's Department.

Notes to the Financial Statements
For the year ended 30 June 2023

4.5 Green Triangle Fire Tower Funding Project

	2023 \$'000	2022 \$'000
Green Triangle community fire protection initiatives	2,346	-
Total	2,346	-

The State has the responsibility for maintenance of Fire Towers in the GT under its Operations Deed with One Forty One Plantations Pty Ltd (OFO). This has historically been delegated to ForestrySA. Over two years and concluding in June 2022 ForestrySA provided \$1.1m in funding for the advanced fire protection project in the GT region (refer note 4.1).

At the end of the 2023 financial year ForestrySA provided funding of \$2.346m for the upgrade of fire towers in the Green Triangle, and to transition ongoing operations and maintenance for the fire towers and fire detection program to OFO. The Project involves replacing fire towers with new technologies such as camera technology to provide a landscape level fire detection program whilst ensuring existing fire towers are serviceable during the transition period. The administration of the funds is being undertaken by the Department of Primary Industries and Regions.

5 Non-financial assets

5.1 Property, plant and equipment by asset class

Property, plant and equipment comprises owned and right-to-use (leased) tangible assets that do not meet the definition of investment property.

	2023 \$'000	2022 \$'000
Land and buildings		
Land at fair value	39,627	36,822
Buildings at fair value	6,928	6,939
Accumulated depreciation at the end of the period	(2,407)	(2,176)
Total land and buildings	44,149	41,585
Road and land improvements		
Road and land improvements at fair value	4,082	4,266
Accumulated depreciation at the end of the period	(2,531)	(2,581)
Total road and land improvements	1,551	1,685
Plant and equipment		
Plant and equipment at fair value	4,500	3,611
Accumulated depreciation at the end of the period	(1,994)	(1,730)
Total plant and equipment	2,506	1,881
Right-of-use plant and equipment		
Right-of-use plant and equipment at cost	597	587
Accumulated depreciation at the end of the period	(317)	(234)
Total right-of-use plant and equipment	280	353
Work in progress		
Work in progress at cost	898	1,122
Total work in progress	898	1,122
Total property, plant and equipment	49,385	46,625

Notes to the Financial Statements
For the year ended 30 June 2023

5.2 Property, Plant and equipment owned by Forestry SA

Property, plant and equipment owned by ForestrySA with a value equal to or in excess of \$10,000 is capitalised, otherwise it is expensed. Property, plant and equipment owned by ForestrySA is recorded at fair value. Detail about ForestrySA's approach to fair value is set out in note 10.2.

Impairment

Fire towers in the GT region have had an impairment entry to bring their value in the books of ForestrySA to Nil. The value of the adjustment was \$45,000

All other property, plant and equipment owned by ForestrySA has not been assessed for impairment as they are non-cash generating assets, that are specialised in nature and held for continual use of their service capacity.

Revaluation of property, plant and equipment is undertaken on a regular cycle as detailed in Note 10.2. If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Reconciliation 2022-23

	Land \$'000	Buildings and structures \$'000	Roads and land improvements \$'000	Plant and equipment \$'000	Work in progress \$'000	Total \$'000
Carrying amount at 1 July 2022	36,822	4,763	1,685	1,881	1,122	46,272
Additions	-	-	-	-	927	927
Disposals (net of depreciation)	-	-	(77)	-	-	(77)
Transfers between classes	-	(10)	177	982	(1,150)	-
Revaluation increments	2,805	-	-	-	-	2,805
Depreciation charge for the year	-	(188)	(233)	(356)	-	(777)
Impairment	-	(45)	-	-	-	(45)
Carrying amount at 30 June 2023	39,627	4,521	1,551	2,507	898	49,104

Reconciliation 2021-22

	Land \$'000	Buildings and structures \$'000	Roads and land improvements \$'000	Plant and equipment \$'000	Work in progress \$'000	Total \$'000
Carrying amount at 1 July 2021	36,343	4,957	1,765	2,202	369	45,635
Additions	-	358	104	2	753	1,216
Disposals	(919)	-	-	-	-	(919)
Revaluation increments*	1,398	-	-	-	-	1,398
Depreciation charge for the year	-	(551)	(185)	(323)	-	(1,059)
Carrying amount at 30 June 2022	36,822	4,763	1,685	1,881	1,122	46,272

	2023 \$'000	2022 \$'000
*Reconciliation of changes in land revaluation surplus		
Revaluation (decrement)/increment per Statement of Comprehensive Income	3,145	1,410
<i>Made up of:</i>		
Revaluation (decrement)/increment of land classified as property, plant and equipment	2,805	1,398
Revaluation increment of land classified as held for sale (note 5.7)	340	12
	3,145	1,410

Notes to the Financial Statements
For the year ended 30 June 2023

5.3 Property, plant and equipment leased by ForestrySA

Property, plant and equipment leased by ForestrySA is recorded at cost. Additions to leased property, plant and equipment during 2022-23 were \$78,000 (2021-22: \$35,000).

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$15,000 are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and are disclosed in note 4.4.

ForestrySA has a limited number of leases:

- 20 motor vehicle leases with the South Australian Government Financing Authority (SAFA). Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. Motor vehicle lease terms can range from 2 years (40,000km) up to 5 years (100,000km). No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.

The lease liabilities related to the right-of-use assets are disclosed in note 7.2. ForestrySA's maturity analysis of its lease liabilities is disclosed in note 10.3. Expenses related to leases, including depreciation and interest expenses, are disclosed in note 4. Cash outflows related to leases are disclosed in note 8.2.

Impairment

Property, plant and equipment leased by ForestrySA has been assessed for impairment. There was no indication of impairment. No impairment loss or reversal of impairment loss was recognised.

5.4 Intangible assets

	2023	2022
	\$'000	\$'000
Computer software		
Purchased computer software	2,722	2,722
Accumulated amortisation	(2,718)	(2,692)
Total computer software	4	30
Total intangible assets	4	30

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$10,000.

Reconciliation 2022-23	Total
	\$'000
Carrying amount at 1 July 2022	30
Additions	-
Amortisation charge for the year	(26)
Carrying amount at 30 June 2023	4
Reconciliation 2021-22	Total
	\$'000
Carrying amount at 1 July 2021	28
Additions	22
Amortisation charge for the year	(20)
Carrying amount at 30 June 2022	30

Notes to the Financial Statements
For the year ended 30 June 2023

5.5 Forest assets

Forest assets are recorded at fair value. Detail about ForestrySA's approach to fair value is set out in note 10.2.

	2023	2022
	\$'000	\$'000
Current		
Current portion of forest assets valuation	11,574	8,718
Total current forest assets	11,574	8,718
	2,023	2022
	\$'000	\$'000
Non-current		
Non-current portion of forest assets valuation	112,045	99,818
Total non-current forest assets	112,045	99,818
<i>Reconciliation 2022-23</i>		Total
		\$'000
Carrying amount at 1 July 2022		108,536
Harvested timber transferred to inventory		(6,204)
Change in the discount rate		(8,373)
Change in fair value due to growth and pricing		29,660
Carrying amount at 30 June 2023		123,619
<i>Reconciliation 2021-22</i>		Total
		\$'000
Carrying amount at 1 July 2021		56,512
Harvested timber transferred to inventory		(6,471)
Change in fair value due to growth and pricing		58,495
Carrying amount at 30 June 2022		108,536

ForestrySA recognises the multiple rotation forest valuation, being \$123.619m (2022: \$108.536m). More information is provided at Note 10.2.

Notes to the Financial Statements
For the year ended 30 June 2023

5.6 Inventories

	2023 \$'000	2022 \$'000
Current – held for distribution at no or nominal amount		
Materials at cost	24	34
Total current inventories held for distribution at no or nominal amount	24	34
Current – held for sale		
Materials at cost	39	95
Total current other inventories – other than those held for distribution at no or nominal amount	39	95
Total inventories	63	129

Inventories held for distribution at no or nominal consideration are measured at cost and adjusted when applicable for any loss of service potential. Inventories held for sale are measured at the lower of cost or their net realisable value.

Cost for all other inventory is measured based on the first-in, first-out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

5.7 Non-current assets classified as held for sale

Reconciliation 2022-23

	Land \$'000	Buildings and structures \$'000	land improvements \$'000	Plant and equipment \$'000	Total \$'000
Carrying amount at 1 July 2022	1,727	151	-	81	1,959
Disposals	-	-	-	-	-
Transfers between classes	-	-	-	-	-
Assets reclassified to/from assets held for sale	-	-	-	-	-
Revaluation increments	340	-	-	-	340
Revaluation decrements	-	-	-	-	-
Carrying amount at 30 June 2023	2,067	151	-	81	2,299

	2023 \$'000	2022 \$'000
Land	2,067	1,727
Buildings	151	151
Roads and land improvements	-	-
Property, plant and equipment	81	81
Total non-current assets classified as held for sale	2,299	1,959

Non-current assets are classified as held for sale and stated at the lower of their carrying amount or fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed one year from the date of classification, except for events or circumstances beyond the entity's control where it is still committed to sell the asset.

Land held for sale relates to the divestment of forest reserve in the Mid North region in accordance with the Mid North Forests Future Strategy. It is expected this land will be divested from ForestrySA during the 2023-24 financial year.

Notes to the Financial Statements
For the year ended 30 June 2023

6 Financial assets

6.1 Cash and cash equivalents

	2023	2022
	\$'000	\$'000
Deposits	2,485	3,039
Cash Management Fund	16,773	17,795
Total cash and cash equivalents	19,258	20,834

Deposits and cash management fund

Deposits include funds held with the Commonwealth Bank of Australia (CBA). These funds are used for operational purposes in accordance with the Treasurer's/Under Treasurer's approval. Cash Management Fund (CMF) deposits are lodged with SAFA and earn interest at the respective CMF rate.

6.2 Receivables

	2023	2022
	\$'000	\$'000
Current		
Trade receivables - SA Gov	45	11
Trade receivables - Non SA Gov	1,961	1,575
Less impairment loss on receivables	(30)	(155)
Accrued revenue	57	48
Prepayments	134	235
GST receivable	97	-
Total current receivables	2,264	1,714

Trade receivables arise in the normal course of selling goods and services to other government agencies and to the public. Trade receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Other than as recognised in the allowance for impairment loss on receivables, it is anticipated that counterparties will discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Refer to note 10.3 for further information on risk management.

Statutory receivables do not arise from contracts with customers. They are recognised and measured similarly to contractual receivables (except impairment) but are not classified as financial instruments for disclosure purposes.

Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

Allowance for impairment loss on receivables	2023	2022
	\$'000	\$'000
Carrying amount at the beginning of the period	155	15
Increase / (Decrease) in allowance recognised in profit or loss	(125)	140
Carrying amount at the end of the period	30	155

All the above impairment losses are from receivables arising from contracts with customers and licences with licensees.

Refer to note 10.3 for details regarding credit risk and the methodology for determining impairment.

Notes to the Financial Statements
For the year ended 30 June 2023

7 Liabilities

Employee benefits liabilities are disclosed in note 3.4.

7.1 Payables

	2023 \$'000	2022 \$'000
Current		
Trade payables	806	811
Accrued expenses	130	611
Other Payables	27	-
Statutory payables		
GST payable	-	42
Employment on-costs	48	43
Total current payables	1,011	1,507
Non-current		
Statutory payables		
Employment on-costs	46	47
Total non-current payables	46	47
Total payables	1,057	1,554

Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoices is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

Statutory payables do not arise from contracts.

The net amount of GST recoverable from the ATO is included as part of receivables. However, if a net GST payable arises then this amount would be disclosed in this Payables note.

Employment on-costs

Employment on-costs include payroll tax and superannuation contributions and are settled when the respective employee benefit that they relate to is discharged.

ForestrySA contributes to State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There are no liabilities for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to Superannuation funds.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave is 43% (2022: 42%). The factor for the calculation of employer superannuation on-costs is 11.0% (2022: 10.1%). These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is immaterial.

**Notes to the Financial Statements
For the year ended 30 June 2023**

7.2 Financial liabilities

	Note	2023 \$'000	2022 \$'000
Current			
Lease liabilities	5.3	129	125
Total current financial liabilities		129	125
Non-current			
Lease liabilities	5.3	168	238
Total non-current financial liabilities		168	238
Total financial liabilities		297	363

ForestrySA measures financial liabilities at amortised cost.

All lease liabilities relate to right-of-use vehicle assets.

7.3 Other provisions

	2023 \$'000	2022 \$'000
Current		
Provision for workers compensation	315	232
Total current provisions	315	232
Non-current		
Provision for workers compensation	1,033	1,110
Total non-current provisions	1,033	1,110
Total provisions	1,348	1,342
Movement in provisions		2023 \$'000
Carrying amount at the beginning of the period		1,342
Additional provisions recognised		6
Carrying amount at the end of the period		1,348

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on actuarial assessment of the outstanding liability as at 30 June 2023 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. The provision is for the estimated cost of ongoing payments to employees as required under current legislation. The movement in the provision has been recorded as an expense and is disclosed in Note 4.4.

ForestrySA is responsible for payment of workers compensation claims.

**Notes to the Financial Statements
For the year ended 30 June 2023**

7.4 Other liabilities

	2023 \$'000	2022 \$'000
Current		
Unearned revenue	277	191
Total current other liabilities	277	191
Non-current		
Unearned revenue	826	1,117
Total non-current other liabilities	826	1,117
Total other liabilities	1,103	1,308

ForestrySA has leases and licences for which payment has been received in advance

Projects funded via the CSO and later capitalised have a corresponding unearned revenue amount recognised in the accounts. This is recognised in income over the life of the asset in line with its depreciation.

<i>Movement in deferred income</i>	2023 \$'000	2022 \$'000
Carrying amount at the beginning of the period	1,308	3,246
Received during the year	4,393	4,274
Recognised as income in the Statement of Comprehensive Income	(4,598)	(6,212)
Carrying amount at the end of the period	1,103	1,308

8 Other disclosures

8.1 Equity

The asset revaluation surplus is used to record increments and decrements in the fair value of property and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

The forest assets reserve is used to record increments and decrements in the fair value of forest assets. A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in profit or loss for the period in which it arises.

Notes to the Financial Statements
For the year ended 30 June 2023

8.2 Cash flow

Cash flows are included in the Statement of Cash Flow on a gross basis and the GST component of cash flow arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

Leases	2023	2022
	\$'000	\$'000
Plant and equipment - right-of-use vehicles	143	137
Total cash outflow for leases	143	137
Cash flow reconciliation	2023	2022
	\$'000	\$'000
Reconciliation of cash and cash equivalents at the end of the reporting period		
Cash and cash equivalents disclosed in the Statement of Financial Position	19,258	20,834
Balance as per the Statement of Cash Flows	19,258	20,834
Reconciliation of net cash provided by operating activities to profit/loss after income tax equivalent		
Net cash provided by/(used in) operating activities	(515)	(1,154)
Add/less non-cash items		
Depreciation and amortisation expense of non-current assets	(990)	(1,192)
Reclassified work in progress	-	(21)
(Gain)/loss on sale or disposal of non-current assets	(76)	(943)
(Gain)/loss on revaluation of forest assets	15,083	52,024
(Gain)/loss on revaluation of other non-current assets	-	(57)
Movement in assets and liabilities		
Increase/(decrease) in receivables	550	65,361
Increase/(decrease) in inventories	(66)	75
(Increase)/decrease in payables	497	417
(Increase)/decrease in employee benefits	9	(51)
(Increase)/decrease in provisions	(6)	(76)
(Increase)/decrease in contract liabilities	-	(65,369)
(Increase)/decrease in other liabilities	205	1,938
Profit/loss after income tax equivalent	14,692	50,952

Notes to the Financial Statements
For the year ended 30 June 2023

9 Outlook

9.1 Unrecognised commitments

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

Capital commitments	2023	2022
	\$'000	\$'000
Within one year	294	1,623
Later than one year but not longer than five years	-	250
Total capital commitments	294	1,873

ForestrySA's capital commitments are for the refurbishment of four fire trucks and property plant and equipment in line with the budgeted capital requirements of the organisation.

Expenditure commitments	2023	2022
	\$'000	\$'000
Within one year	8,524	6,633
Later than one year but not longer than five years	36,458	27,884
Total expenditure commitments	44,982	34,517

ForestrySA's contracting commitment include agreements for the harvesting and transport of log and associated logistics.

ForestrySA has also entered into supply agreements to sell timber that is harvested. The terms and conditions of these agreements vary.

Lease receivable commitments	2023	2022
	\$'000	\$'000
Commitments in relation to leases contracted for at the reporting date but not recognised as receivables are as follows:		
Within one year	261	253
Later than one year but not longer than five years	56	317
Total lease receivable commitments	317	570

Lease receivable commitments relate to the office building located in Mt Gambier where space is leased from ForestrySA.

9.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

ForestrySA has contingent assets in the form of bank guarantees issued by various banks for ForestrySA customers.

ForestrySA and the SA Superannuation Board entered an arrangement at the time of incorporation of ForestrySA to allow officers and employees of ForestrySA who were immediately before incorporation of ForestrySA contributors to the State Superannuation Scheme, to remain contributors under the *Superannuation Act 1988*.

9.3 Impact of standards not yet effective

ForestrySA has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective and has assessed there will be no impact on ForestrySA.

Notes to the Financial Statements For the year ended 30 June 2023

9.4 COVID-19 pandemic outlook

The COVID-19 pandemic may continue to impact the operations of ForestrySA in 2023-24. The key expected impacts are:

- The availability of contractors to perform various activities.

9.5 Events after the reporting period

There were no events after the reporting period that required adjustments.

10 Measurement and risk

10.1 Long service leave liability - measurement

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has increased from 2022 (3.5%) to 2023 (4.0%).

This increase in the bond yield, which is used as the rate to discount future long service leave cash flow, reduces the increase in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is an increase in the long service leave liability of \$100k. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance increased the salary inflation rate to 3.5% (2.5% 2022) for long service leave liability. As a result, there is no material financial effect resulting from changes in the salary inflation rate.

Current long service leave reflects the portion of leave expected to be settled within the next 12 months, based on previous experience.

Notes to the Financial Statements For the year ended 30 June 2023

10.2 Fair value

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Initial recognition

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements, then the assets are recognised at book value (i.e. the amount recorded by the transferor public authority immediately prior to the restructure).

Revaluation

Property, plant and equipment are subsequently measured at fair value after allowing for accumulated depreciation.

The revaluation process is reviewed by the Chief Finance Officer and Audit and Risk Committee as required.

Non-current tangible assets are valued at fair value and revaluation of non-current assets or a group of assets is only performed when fair value at the time of acquisition is greater than \$1.5 million and estimated useful life is greater than three years.

Revaluation is undertaken on a regular cycle as detailed below. If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

A gain or loss arising from a change in fair value less costs to sell of a biological asset shall be included in profit or loss for the period in which it arises.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Fair value hierarchy

ForestrySA classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation.

- Level 1 – traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 – not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 – not traded in an active market and are derived from unobservable inputs.

ForestrySA's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

During 2023 and 2022, ForestrySA had no valuations categorised into level 1; there were no transfers of assets between level 1 and 2 fair value hierarchy levels and there were no changes in valuation technique.

Notes to the Financial Statements
For the year ended 30 June 2023

Fair value classification – non-financial assets at 30 June 2023

	Note	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements				
Forest assets	5.5	-	123,619	123,619
Land	5.1	39,627	-	39,627
Buildings and structures	5.1	-	4,521	4,521
Roads and land improvements	5.1	-	1,551	1,551
Plant and equipment	5.1	-	2,507	2,507
Total recurring fair value measurements		39,627	132,197	171,824
Non-recurring fair value measurements				
Assets held for sale	5.7	-	2,299	2,299
Total non-recurring fair value measurements		-	2,299	2,299
Total		39,627	134,496	174,123

Fair value classification – non-financial assets at 30 June 2022

	Note	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements				
Forest assets	5.5	-	108,536	108,536
Land	5.1	36,822	-	36,822
Buildings and structures	5.1	-	4,763	4,763
Roads and land improvements	5.1	-	1,685	1,685
Plant and equipment	5.1	-	1,881	1,881
Total recurring fair value measurements		36,822	116,865	153,687
Non-recurring fair value measurements				
Assets held for sale	5.7	-	1,959	1,959
Total non-recurring fair value measurements		-	1,959	1,959
Total		36,822	118,824	155,646

Notes to the Financial Statements
For the year ended 30 June 2023

Forest assets

ForestrySA engaged Indufor to establish the valuation for its plantation estate in the Mt Lofty Ranges as at 30 June 2023.

Indufor has adopted the marked based valuation approach which involves a combination of the sales comparison method and income approach under a discounted cash flow framework. The discount rate applied by Indufor to the projected cash flows was 8.0% (2022:7.5%). The cash flows are those for multiple rotations extending across a 60-year period.

This value opinion is considered to be compliant with Australian Accounting Standards Board (AASB) 141 Agriculture and International Accounting Standards (IAS) 41 Agriculture, AASB 13 and International Financial Reporting Standards (IFRS) 13 Fair Value Measurement and Uniform Standards of Professional Appraisal Practice 2018-19 (USPAP) market value. This value assumes that the asset will have received full exposure to the market over a period of one year.

Significant unobservable inputs

- Growth and yield
- Forest management, production, sales, general, and administration costs
- Log and wood products markets and prices
- Discount rate calculation - evidence based and theoretical costs of capital
- Annual harvest volume (165,000 - 218,000 m3, weighted average 190,000 m3)

The valuation assumes that the commercial plantation land has no value because it is not freehold land and cannot be traded in an open and competitive market. It is reserved by the state in perpetuity for production forestry or public reserve as Crown land, thereby negating any fair market value. No notional land rental has been applied.

The difference between the fair value of Forest Assets held at the reporting date and the fair value at the previous reporting date is recognised in the Statement of Comprehensive Income as the net change in the value of Forest Assets. All forest expenditure is recognised as an expense in the year it is incurred. The change in value is also disclosed in note 5.5.

The net change in the value of Forest Assets is accounted for in the Forest Assets reserve which is used to store the change in the value of the forest asset.

Sensitivity analysis for forest assets

The effects of modifying a range of input variables is demonstrated in this sensitivity analysis:

<i>Factor level*</i>	<i>90%</i>	<i>95%</i>	<i>100%</i>	<i>105%</i>	<i>110%</i>
	AUD million				
Revenue	97,242	110,430	123,619	136,807	149,996
Production Costs	130,254	126,937	123,619	120,301	116,983
Transport Costs	128,125	125,872	123,619	121,366	119,112
Operational Expenditure	124,771	124,195	123,619	123,043	122,466
SG&A Expenditure	125,339	124,479	123,619	122,759	121,898
	<i>7.50%</i>	<i>7.75%</i>	<i>8.00%</i>	<i>8.25%</i>	<i>8.50%</i>
Discount Rate	131,992	127,667	123,619	119,821	116,252

Notes to the Financial Statements
For the year ended 30 June 2023

Land

An independent valuation of land owned by ForestrySA was performed by a Certified Practising Valuer from the State Valuation Office, as at 30 June 2023.

Fair value of land has been determined using the market approach. Relevant general and economic factors were considered in arriving at a value opinion, including investigation of recent sales of comparable properties. Discounts by region were applied to reflect restrictions on potential highest and best use imposed by legislation on land operated by ForestrySA. The discount rates used this year are Mount Lofty Ranges 60% (2022: 60%), Green Triangle 45% (2022: 45%) and Mid North 55% (2022: 55%).

Buildings and structures

At least every five years, an independent valuation appraisal of ForestrySA's buildings and structures will be performed. However, if at any time management considers that the carrying amount of an asset class materially differs from its fair value, then the asset class will be revalued regardless of when the last valuation took place. ForestrySA undertook an independent valuation appraisal of its buildings and structures in June 2019. A valuation process will be performed in the 2023-24 financial year in line with this policy.

Plant and equipment

All items of plant and equipment owned by ForestrySA had a fair value at the time of acquisition less than \$1.5 million or had an estimated useful life less than three years. Plant and equipment has not been revalued in accordance with APS 116.D. The carrying value of the remaining items of plant and equipment are deemed to approximate fair value.

Reconciliation of level 3 recurring fair value measurements as at 30 June 2023

The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3).

	Forest assets	Buildings and structures	Roads and land improvements	Plant and equipment
	\$'000	\$'000	\$'000	\$'000
Opening balance at the beginning of the period	108,536	4,763	1,685	1,881
Acquisitions	-	-	-	-
Disposals	-	-	(77)	-
Assets reclassified to or out of assets held for sale	-	-	-	-
Transfers within asset classes	-	(10)	177	982
Gains/(Losses) for the period recognised in net result:				
Revaluation increment / (decrement)	15,083	-	-	-
Depreciation	-	(188)	(233)	(356)
Total gains/(losses) recognised in net result	15,083	(198)	(134)	626
Carrying amount at the end of the period	123,619	4,565	1,551	2,507

Notes to the Financial Statements
For the year ended 30 June 2023

Reconciliation of level 3 recurring fair value measurements as at 30 June 2022

The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3).

	Forest assets	Buildings and structures	Roads and land improvements	Plant and equipment
	\$'000	\$'000	\$'000	\$'000
Opening balance at the beginning of the period	56,512	4,957	1,765	2,202
Acquisitions	-	358	104	2
Gains/(Losses) for the period recognised in net result:				
Revaluation increment / (decrement)	52,024	-	-	-
Depreciation	-	(551)	(185)	(323)
Total gains/(losses) recognised in net result	52,024	(193)	(81)	(321)
Carrying amount at the end of the period	108,536	4,763	1,685	1,881

ForestrySA's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

10.3 Financial instruments

Financial risk management

Risk management is managed by ForestrySA's corporate services section. ForestrySA's risk management policies are in accordance with the SA Government Risk Management Guide and the principles established in the Australian Standard Risk Management Principles and Guidelines.

Forestry SA's exposure to financial risk (liquidity risk, credit risk, and market risk) is low due to the nature of the financial instruments held.

Liquidity risk

ForestrySA maintains a strong working capital position so current liquidity risk is low.

Credit risk

ForestrySA has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

Bank guarantees or cash deposits are obtained for specific customers.

Impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss (ECL) using the simplified approach in AASB 9. ForestrySA uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a small number of large balances and a few small balances.

To measure the expected credit losses, receivables are grouped based on shared risk characteristics and the days past due. When estimating expected credit loss, ForestrySA considers reasonable and supportable information that is relevant and available without undue cost of effort. This includes both quantitative and qualitative information and analysis, based on ForestrySA's historical experience and informed credit assessment, including forward-looking information.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which ForestrySA is exposed to credit risk.

The expected credit loss of government debtors is nil based on the external credit ratings and nature of the counterparties.

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor.

The following table provides information about the exposure to credit risk and ECL for non-government debtors.

Notes to the Financial Statements
For the year ended 30 June 2023

	Debtor unsecured carrying amount \$'000	Loss %	Lifetime expected losses \$'000
Current (non past due)	1706	0.00%	-
1-30 days past due	290	6.80%	19
31-60 days past due	0	100.00%	0
61-90 days past due	0	100.00%	0
90+ days past due	11	100.00%	11
Loss allowance			30

Impairment losses are presented as net impairment losses within net result; subsequent recoveries of amounts previously written off are credited against the same line item.

Receivables are written off when there is no reasonable expectation of recovery.

ForestrySA considers that its cash and cash equivalents have low credit risk due to financial security held for customers with material contracts.

The allowance is recognised when there is objective evidence that a receivable is impaired. The allowance for impairment is recognised in other expenses for specific debtors and debtors assessed on a collective basis for which such evidence existed.

Market risk

ForestrySA does not trade in foreign currency, nor enter transactions for speculative purposes, nor for hedging. ForestrySA does not undertake any hedging in relation to interest or foreign currency risk.

Exposure to interest rate risk related to interest bearing liabilities or borrowings is minimal and only related to right-of-use vehicle assets managed through the South Australian Government Financing Authority (SAFA).

Some forest product sales are made to customers with exposure to international market risks including foreign currencies, hence ForestrySA maintains a level of market risk related to its core business of forest product sales.

There have been no changes in risk exposure since the last reporting period.

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset note and financial liability note per below.

Notes to the Financial Statements
For the year ended 30 June 2023

Classification of financial instruments

ForestrySA measures all financial instruments at amortised cost.

Category of financial asset and financial liability	Note	2023 Carrying amount / Fair value (\$'000)	Contractual maturities *		
			Within 1 year (\$'000)	1-5 years (\$'000)	More than 5 years (\$'000)
Financial assets					
Cash and cash equivalents					
Cash and cash equivalents	6.1	19,258	n/a	n/a	n/a
Financial assets at amortised cost					
Receivables **	6.2	2,032	2,032	-	-
Total financial assets		21,290	2,032	-	-
Financial liabilities					
Financial liabilities at amortised cost					
Payables **	7.1	861	861	-	-
Lease liabilities	7.2	297	130	167	-
Total financial liabilities		1,158	991	167	-

Category of financial asset and financial liability	Note	2022 Carrying amount / Fair value (\$'000)	2022 Contractual maturities *		
			Within 1 year (\$'000)	1-5 years (\$'000)	More than 5 years (\$'000)
Financial assets					
Cash and cash equivalents					
Cash and cash equivalents	6.1	20,834	n/a	n/a	n/a
Financial assets at amortised cost					
Receivables **	6.2	1,478	1,478	-	-
Total financial assets		22,312	1,478	-	-
Financial liabilities					
Financial liabilities at amortised cost					
Payables **	7.1	1,349	1,349	-	-
Lease liabilities	7.2	363	125	232	6
Total financial liabilities		1,712	1,474	232	6

*Maturities analysis is presented using the undiscounted cash flows and therefore may not total to equal the carrying amount/fair value of the financial instrument.

** Total amounts disclosed here exclude statutory amounts. Receivables do not include prepayments as these are not financial instruments. Prepayments are presented in note 6.2.

Statutory receivables and payables

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. This includes Commonwealth, State and Local Government taxes and equivalents, fees and charges; Auditor-General's Department audit fees. This is in addition to employee related payables, such as payroll tax, Fringe Benefits Tax, Pay As You Go Withholding and ReturnToWorkSA levies. In government, certain rights to receive or pay cash may not be contractual but have their source in legislation and therefore, in these situations, the disclosure requirements of AASB 7 will not apply. The standard defines contract as enforceable by law. All amounts recorded are carried at cost.