

# Annual Report

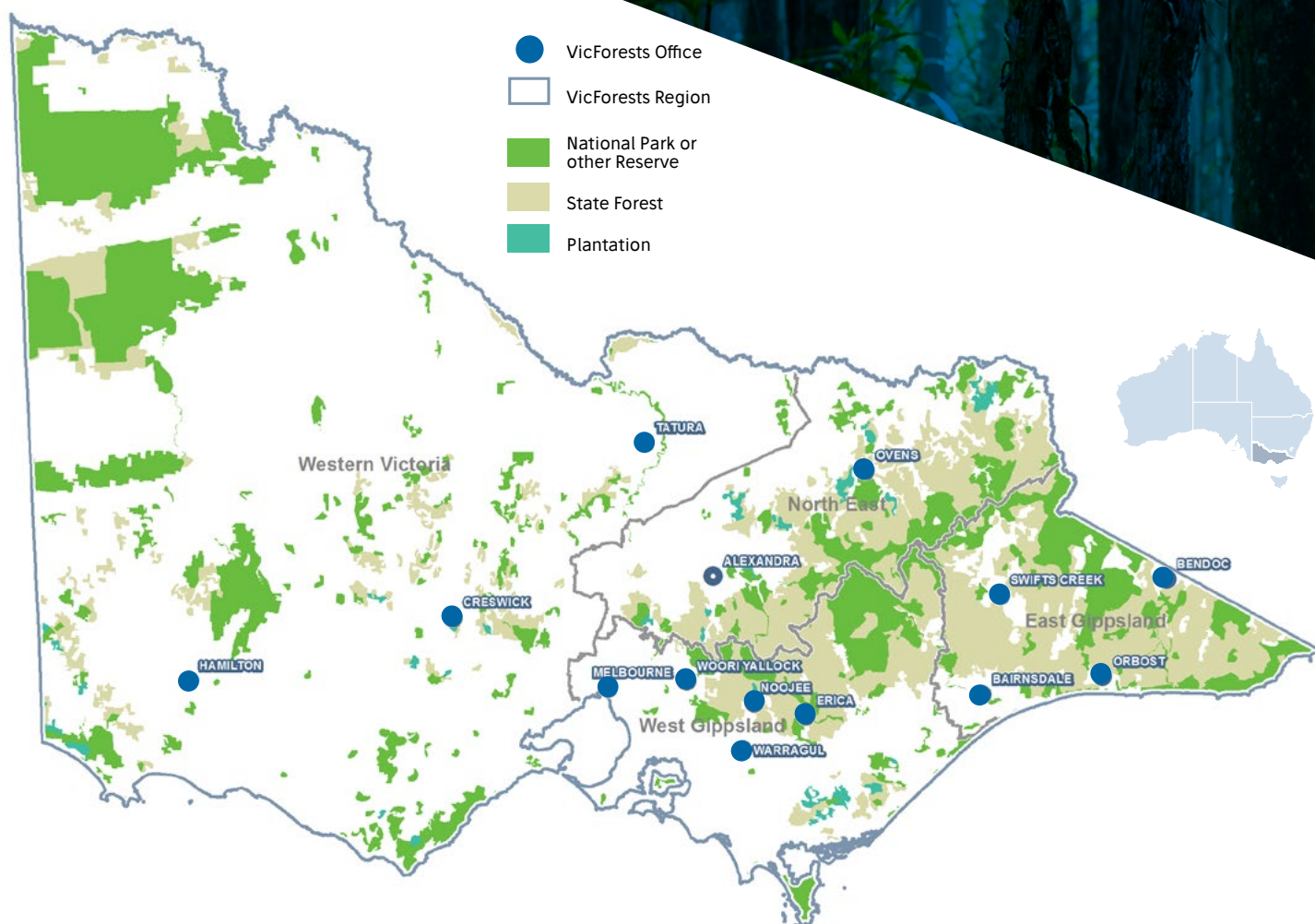
VICFORESTS 2022–23



## Acknowledgement of Traditional Owners

VicForests respectfully acknowledges Aboriginal people as the First Peoples and Traditional Owners and Custodians of the land and water on which we rely. We also pay our respects to ancestors and Elders, past and present.

First Nations peoples have actively cared for and managed Australian landscapes for millennia. VicForests is committed to tangible partnerships with Traditional Owners to ensure their Knowledge influences our practices and that our land management activities reinforce their Custodianship and assist them in caring for Country. We are also committed to providing opportunities for Traditional Owners to benefit from the management and use of resources on their Country.







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12 October 2023

The Hon Ros Spence MP  
Minister for Agriculture  
Level 1, 2 Treasury Place  
East Melbourne VIC 3002

Dear Minister

**VicForests' Annual Report**

In accordance with the *Financial Management Act 1994*, I am pleased to present  
VicForests' Annual Report for the year ended 30 June 2023.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Ben Hubbard".

**Ben Hubbard**  
VicForests Chair



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# Chair report

The 2022-23 financial year was a challenging and difficult chapter in VicForests' history.

Orders made by the Supreme Court of Victoria resulted in an inability to access allocated timber resources, severely impacting log supply to customers.

During this time VicForests remained committed to doing anything it could to support its customers and contracting businesses to continue to operate. The Board was constantly impressed by the willingness of VicForests staff to adapt to make the most of opportunities to supply wood to its customers and work to its contractors.

However, VicForests is a statutory corporation that relies on the sale of timber to operate. Without the ability to access the timber resources needed to meet its charter there was very little that could be done to mitigate losses.

Since the Victorian Government's announcement in May 2023 that it would bring forward the cessation of native timber harvesting in the State's forests to 1 January 2024, the Board and management have been supporting Government's consideration of a refreshed approach to the management of Victoria's forests into the future. I know that VicForests professional foresters, scientists and support staff remain committed to the goal of ensuring Victoria's forests thrive for future generations. I also know how difficult the last year has been for our people and the communities they live and work in.

VicForests has invested heavily in support for the mental health and wellbeing of its people and wider contracting workforce. I've continued to be impressed by the unwavering commitment to safety and the awareness of the additional effort required to maintain high safety standards during a period of extreme uncertainty.

I am grateful to the Directors for their commitment to the organisation and industry over the last year. I particularly acknowledge the contribution of Therese Ryan for her exceptional contribution over her 10 years on the Board. I also acknowledge the significant contribution of the two Directors that have concluded their terms since June, Angeleen Jenkins and Dr David Cochrane.

Our VicForests Chief Executive Officer, Monique Dawson also deserves credit and thanks for steering the business during this time of uncertainty. I am extremely proud of extraordinary strength and resilience the team has demonstrated during this time to keep each other safe and support our customers and contractors. Their professionalism, passion and ongoing commitment to sustainable forest stewardship has been second to none.

I look forward to facing the coming opportunities and challenges with the strong and resilient team we have at VicForests.

**Ben Hubbard**  
Chair

# CEO report

The financial performance of VicForests for the 2022-23 financial year was fundamentally impacted by litigation. VicForests had planned to harvest \$112 million in timber, returning a margin of \$27 million to be applied to the costs of delivering related government services. Instead VicForests harvested \$17 million in timber and paid compensation of \$110 million for undersupply to customers (compared to \$7.5 million in FY22) and \$41 million to contractors who were not able to work (compared to \$6 million in FY22). This was entirely due to the impact of orders made in litigation brought by environmental groups.

VicForests provided strong evidence it had taken care to manage risks to threatened species. VicForests demonstrated the steps it takes to comply with the explicit regulatory rules developed by expert foresters over many years following careful balancing of economic, social and environmental considerations as required by the principals of ecologically sustainable development. Court orders imposing significant additional obligations, including requiring VicForests to identify and protect individual animals or plants, do not reflect this public policy balance.

VicForests worked with the University of Melbourne and drone providers to develop and deploy a survey method that uses thermal imaging technology in conjunction with a normal RGB (red, green, blue) camera and spotlight, enabling comprehensive night-time surveys to be conducted safely in the forest. We believe this work is at the cutting edge of survey technology and provides a pathway to comprehensive surveys for nocturnal animals that is efficient and effective – reducing the risks of injury to surveyors operating in difficult and often dangerous conditions.

Ultimately VicForests returned a net loss of \$60.1 million despite reimbursement of \$149 million from government to fund customer and contractor compensation. This result includes the write-down of the value of native timber rights to zero due to the decision to cease native timber harvesting.

During this time, VicForests never lost sight of its commitment to supporting our staff, customers and contracting businesses to continue to operate. We continued to focus on promoting the

health, wellbeing and development of our staff and contractors, strong forest stewardship and protection of biodiversity.

VicForests continued to work with the Department of Energy, Environment and Climate Action (DEECA) to deliver a broad range of services including the Forest Fire Management partnership and supporting forest management activities, such as community forestry, seed collection services and plantations under the government's Gippsland Plantation Investment Program.

Other business-as-usual operations continued throughout the year. We progressed additional forestry opportunities with the farm forestry program to support the establishment of plantations on farms in the Gippsland area to ensure that these trees play a vital role in improving the broad range of economic, environmental, social, and cultural values within and around the farming landscape. Key highlights included the release of grants to landholders to establish farm forestry demonstration sites across Gippsland with ten grants awarded to establish 90 hectares. In addition, VicForests awarded around \$850,000 in grants to 16 landholders across Gippsland to assist in planning, establishing, and managing a total of 274.3 hectares of new farm forests.

VicForests continued to support the storm recovery effort following the 2021 storms working collaboratively with DEECA, Melbourne Water and Parks Victoria, to re-establish safe access for the public and firefighters, as well as reducing longer-term bushfire risks. In addition, works to recover timber and clearing of dangerous trees and debris continued in the Dandenong Ranges National Park, the Silvan Reservoir catchment, the Cobaw and Wombat State forests.

Throughout 2022-23 we continued to focus on science, technology and innovation to enhance our understanding of native forests. We continued to develop field-based tools to improve our knowledge and processed LiDAR in combination with remote sensing data using machine learning and deep learning techniques to produce habitat distribution models, canopy height models and midstorey and understory layers. VicForests completed an upgrade and migration of its spatial information systems to ensure full product support



from its vendors and improved integration of the forest estate planning systems. In addition, we further strengthened cybersecurity measures and expanded our portfolio of cloud technology.

We were proud of our independent audit result from the Department of Energy, Environment and Climate Action that saw us achieve an average of 96% compliance across four environment areas: environmental values in State forests, conservation of biodiversity, operational planning and record keeping, and coupe infrastructure for timber harvesting operations. The 96% average compliance findings are a testament to the work our passionate staff undertake in Victoria's state forests.

Pleasingly, VicForests has continued to maintain its certification under the Responsible Wood certification scheme under the PEFC certification system – the largest forest certification system in the world. This included a transfer of accreditation to the latest Australian Standard for Sustainable Forest Management (AS/NZS 4708:2021). These results are objective evidence that VicForests is a leading forestry company.

Sir Richard Taylor once said that innovation is the art of throwing yourself at the impossible and missing. VicForests staff and forest contractors have adapted and changed time after time to meet frequent changes in our operating environment. They kept trying to find ways to achieve the impossible. I thank them all for their commitment to our mission, and their dedication to the care of the forests we operate in.

I am grateful to the Board for their strong leadership and guidance in navigating a complex and challenging period.



**Monique Dawson**  
CEO



# About VicForests

VicForests is a state-owned business responsible for the sustainable harvest, regrowing, and commercial sale of timber from public forests on behalf of the Victorian Government. We undertake our operations in a safe, efficient, and sustainable manner, keeping our staff, the community, and the environment in mind in all we do. We are an active member of the communities in which we operate. We are committed to giving stakeholders the opportunity to have input into our forestry practices. VicForests respects that Traditional Owners are the original custodians of the land and resources in Victoria and honours their special and enduring connection to Country.

The responsible Treasurer during the 2022–23 reporting period was the Hon Tim Pallas MP.

The responsible Minister during the 2022–23 reporting period was the Hon Gayle Tierney MLC, Minister for Agriculture.

## Vision

We are leading forest managers operating to the highest standards and our work provides long-term value for Victorian communities.

## Purpose

To sustainably manage the state's renewable timber resources for the long-term environmental, social, and economic benefit of all Victorians.

## Strategic direction

VicForests is proud to be recognised as a credible, successful, and dynamic native forestry business that provides a sustainable contribution to Victoria. We achieve this by living our values every day.

VicForests aims to:

- maintain our strong commercial forestry business so that we can continue to make a significant contribution to the Victorian economy and its communities;
- respect the forests in which we operate and build strong environmental systems that sustain our unique Victorian biodiversity
- grow our business through the efficient and effective delivery of government policy objectives.

## Our Values

### Sustainable

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We respect and care for our environment and the communities in which we operate

### Customer focused

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We are responsible in our commercial dealings

### Respect

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We treat others in a manner that we would like to be treated

### Professional

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We operate in an ethical, efficient, and accountable manner

### Safe

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We aim for Zero Harm in all that we do



# Corporate governance

## Board of directors

### Ben Hubbard

**Chair | BCOM, MPUBPOL, FAICD**

Mr Hubbard is an experienced executive and non-executive director with a strong record in public policy, governance, strategy, and disaster recovery.

Mr Hubbard is the National Chair of the YMCA, a Director of the Suburban Rail Loop Authority and a Victorian Councillor of the Australian Institute of Company Directors. He is a former CEO of the Victorian Bushfire Reconstruction and Recovery Authority, Chief Strategy Officer at a national law firm and Chief of Staff to Prime Minister Julia Gillard.

Mr Hubbard was appointed to the VicForests Board on 31 May 2022.

### Therese Ryan

**Former Deputy Chair | LLB, GAICD**

Ms Ryan has more than 40 years' experience as a senior business executive and commercial lawyer where she has worked in widely diversified businesses in Australia and overseas including General Motors Corporation and Qenos (a JV of ExxonMobil and Orica). She has extensive experience in M&A, Procurement, Environment, OHS, IP, Capital management, Insurance, and Risk and Governance.

Ms Ryan was Chair of Gippsland Water, a non-executive Director of Bapcor Limited and Director of Sustainable Timber Tasmania and Korvest Limited. She was also an Independent Member of the City of Melbourne's Audit, Finance and Risk Committee.

Ms Ryan joined the VicForests Board in February 2013. Her term as Director expired on 26 August 2022.

### Dr David Cochrane

**Non-Executive Director | DBA, MBA, BEc, ACCA**

Dr Cochrane has over 35 years' experience as an economist and accountant, providing economic, commercial, and strategic advice to the public and private sectors.

Dr Cochrane is Chair of Guide Dogs Victoria, a Director of Guide Dogs Australia and the founding Director of Cloudstreet Economics Pty Ltd. He is also a Member of the Department of Transport Audit, Risk and Integrity Committee.

Dr Cochrane joined the VicForests Board on 1 January 2016.

### Angeleen Jenkins

**Non-Executive Director | BA (Psych), FAICD, FGIA, MInstD**

Ms Jenkins is an experienced professional company director in various commercial industries, including serving as a director in the Australasian forestry and wood products sectors over the last seven years.

Ms Jenkins was formerly a long-term executive for 25 years in a large multinational construction group, where she also served as a Group director for eight years. Ms Jenkins is Chair of the Central Highlands Region Water Corporation, a Director of Tiaki Plantations Company and Taumata Plantations Limited and Non-Executive Director of RPMGlobal Holdings Limited. She is also a Nominee for UniSuper.

Ms Jenkins joined the VicForests Board on 1 January 2016.

### Dr Kim McGrath

**Non-Executive Director | LLB, BA, MAICD**

Dr McGrath is an experienced non-executive director. She is Deputy Chair of South East Water and was appointed as a Director of IOTA Services Pty Ltd in 2021.

Dr McGrath is principal consultant at BKE Consulting. She has provided advice to governments, private companies, universities and not-for-profit organisations on governance, international development, forestry, water, energy, and climate change policy.

Dr McGrath joined the VicForests Board on 1 June 2018.

## Board committees

Board committees assist and advise the VicForests Board across a comprehensive range of issues. Each committee operates under a charter approved by the Board and meets periodically.

### Audit, Finance and Risk

The Audit, Finance and Risk Committee oversees and advises the Board on matters of accountability relating to financial accounting practices, risk management, internal control systems, external financial reporting, and the internal and external audit function. The Committee maintains effective communication with internal and external auditors and considers recommendations made by them.

In fulfilling its role, the Committee must ensure that VicForests meets the requirements of the Standing Directions 2018 under the *Financial Management Act 1994*.

### Executive Remuneration

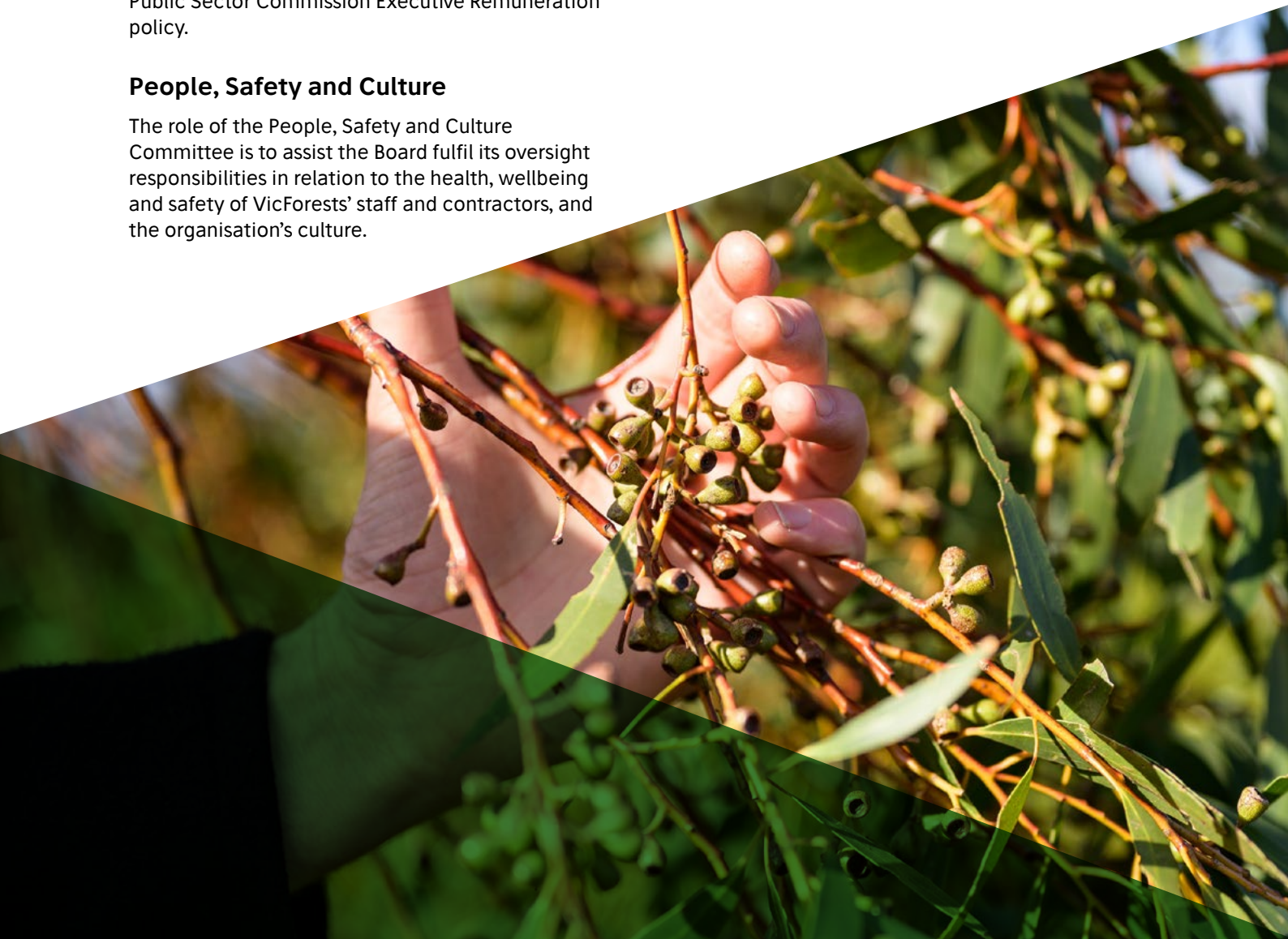
The role of the Executive Remuneration Committee is to review and approve executive remuneration in accordance with the Victorian Public Sector Commission Executive Remuneration policy.

### People, Safety and Culture

The role of the People, Safety and Culture Committee is to assist the Board fulfil its oversight responsibilities in relation to the health, wellbeing and safety of VicForests' staff and contractors, and the organisation's culture.

## Board and committee chairs

	Chair
<b>Board</b>	<b>Ben Hubbard – Chair</b>
<b>Audit, Finance and Risk Committee</b>	<b>David Cochrane</b>
<b>Executive Remuneration Committee</b>	<b>Ben Hubbard</b>
<b>People, Safety and Culture Committee</b>	<b>Angeleen Jenkins</b>





## Board and committee meeting attendance\*

\* Note: some director absences have been due to changes in scheduled meeting dates

### Board

	Eligible	Attended
Ben Hubbard	9	9
David Cochrane	9	9
Kim McGrath	9	9
Angeleen Jenkins	9	8
Therese Ryan	1	1

### Audit Finance and Risk Committee

	Eligible	Attended
David Cochrane (Chair)	6	6
Ben Hubbard	6	6
Angeleen Jenkins	6	6

### Executive Remuneration Committee

	Eligible	Attended
Ben Hubbard (Chair)	1	1
David Cochrane	1	1

### People Safety and Culture Committee

	Eligible	Attended
Angeleen Jenkins (Chair)	4	4
Kim McGrath	4	4
Therese Ryan	1	1

## Executive team

**Monique Dawson**  
Chief Executive Officer  
LLB, GDipLegPrac

**Natalie Naylor**  
General Manager,  
Environmental & Legal Services  
LLB, BCom, GDipCompLaw

**Stephen Gatley**  
Chief Financial Officer  
BCom, CA

**Charles Stansfield**  
Acting General Manager, Operations  
BAppSc, AssocDipAppSc, DipWHS

**Anna Stefanatos**  
General Manager, Communications  
BA (Hons)

**Jason Hellyer**  
General Manager,  
Organisational Performance  
DipWHS, GIA(Affiliated)

**Bill Paul**  
Director, Forest Management  
BForSc, MBA (Technology Management)

**Ishara Kotiah**  
Director, Technology  
BSc (Land Surveying)

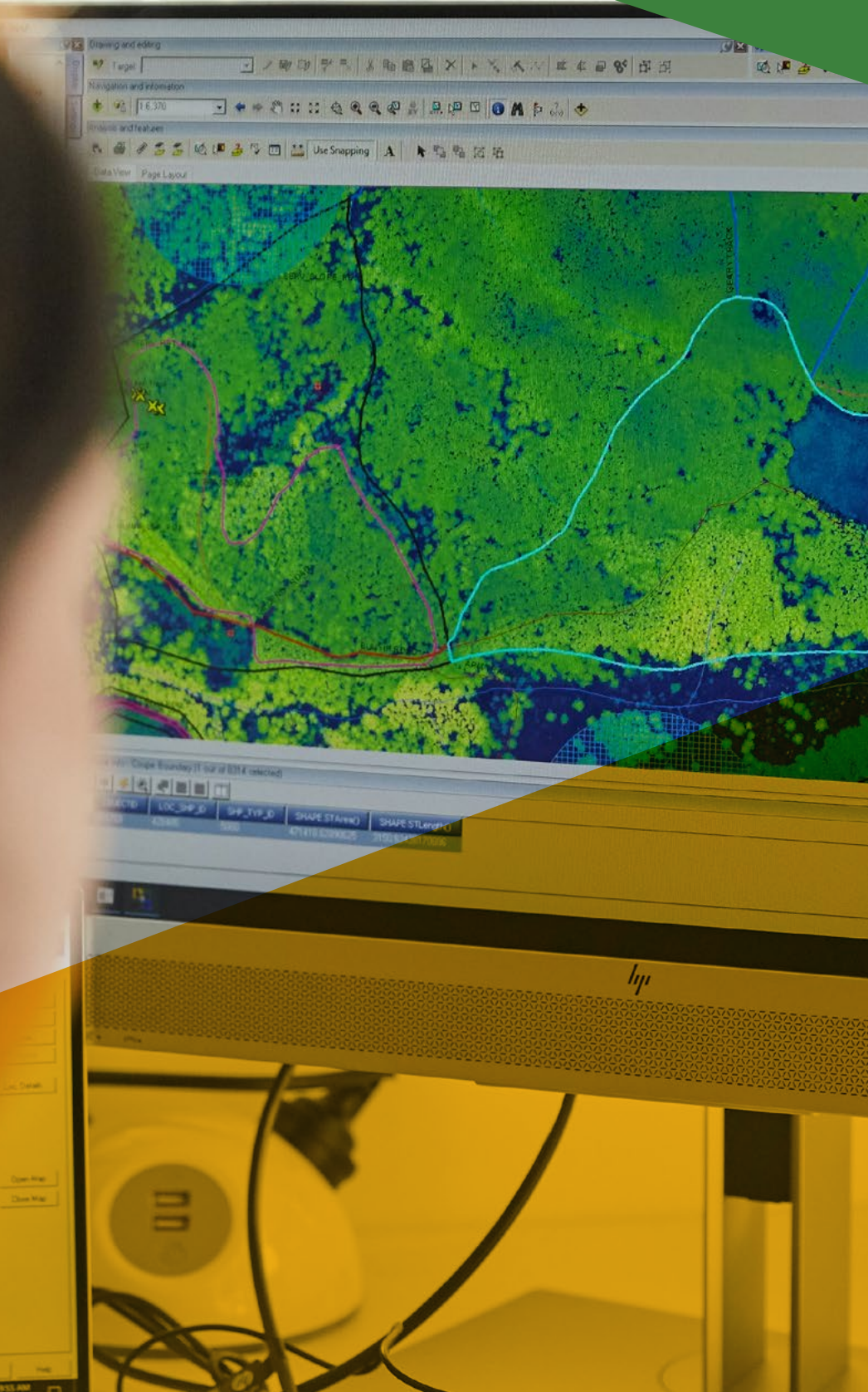
**James Gunn**  
Acting Director,  
Practices & Planning  
BFor

## Organisational structure





# A year in review



# Strategy and future

## Progress against strategic initiatives

Our work continued to focus on promoting the health, wellbeing and development of our staff and contractors, strong forest stewardship and protection of biodiversity. We also invested significantly in the development of strategies to support industry transition.

### Initiative 1:

#### **Invest in additional tactical planning capability to build up operational contingency**

VicForests invested in additional tactical planning capability with the recruitment of 5 new tactical planners. However ongoing litigation and the government decision to cease native timber harvesting at the end of 2023 meant that additional capability was no longer required.

### Initiative 2:

#### **Undertake Timber Sales Process and contractor agreements for 2024–2030 consistent with government targets**

VicForests continued planning for the Timber Sales Process with a view to releasing the process in October 2022. However due to ongoing concerns regarding resource availability and litigation VicForests did not proceed with the process.

### Initiative 3:

#### **Apply spatial data and modelling services for improved business insight and informed decision makings**

VicForests' spatial data and modelling services continued to enhance our understanding of native forests through the following key activities:

- annual update of the strategic and tactical resource model
- developing field-based tools to improve our knowledge of native forests and assets
- exploring the value of point clouds captured using terrestrial mobile LiDAR sensors
- processing LiDAR in combination with remote sensing data using machine learning and deep learning techniques to produce:
  - habitat distribution models
  - individual tree crown delineations for dominant overstorey trees
  - canopy height models and midstorey and understorey layers.

### Initiative 4:

#### **Progress additional forestry opportunities to supplement fibre supply**

While no new plantations were established in this financial year, ongoing management works were undertaken to ensure optimal future growth.

The farm forestry program continued to support the establishment of plantations on farms in the Gippsland area.



### Initiative 5:

#### Undertake and support research to add to scientific knowledge about biodiversity and climate mitigation

VicForests involvement in research was varied and included projects that we led, contributed funds and in-kind resources.

Through our membership of Forest and Wood Products Australia we contributed to national research projects across the forest industry.

The research program for the year focused on the following projects:

- Development of a night-time drone survey program to identify arboreal mammals, in particular, Southern Greater Gliders and Yellow-bellied gliders.
- Arboreal mammal research, and the post-harvest monitoring associated with new retention harvesting systems.
- Research programs with the University of Melbourne, such as the extension of Regrowth Retention Harvesting project.
- Tree Geebung population studies, including age modelling, through the University of Melbourne.
- Leadbeater's possum (LBP) rope bridge effectiveness monitoring, associated with the Management Standards and Procedures exemption request conditions for roading through LBP exclusion zones.

### Initiative 6:

#### Seek independent guidance and advice about best available science

VicForests' independent Science Committee continued to meet through 2022-23 providing advice on VicForests' research program and specific issues as required.

Expertise was sought from the University of Melbourne on the development of a protocol for night-time drone surveying for arboreal mammals.

VicForests continued to engage with DEECA, specifically associated with the Threatened Species Communities Risk Assessment process.

### Initiative 7:

#### Apply best available scientific knowledge to the protection of environmental values

We continued to refine our harvest approaches to reflect the best scientific knowledge, guided by the Science Committee, to support the maintenance and improvement of environmental values by:

- greater resourcing of biodiversity officers and fostering a collaborative and cooperative exchange between environmental performance and operations staff
- continued use of retention harvesting across all planned coupes including the implementation of new biodiversity protection requirements initiated by DEECA
- monitoring studies and reviewing expert papers and adapting practices in response
- continuation of our contract-based pre-harvest survey program including the use of night-time drone surveying
- using models for habitat tree distribution for Leadbeater's possum habitat and Greater Gliders for planning harvest retention areas.

We continued to seek input into the development of additional environmental protections for other species.

### Initiative 8:

#### Continue to improve core ICT systems

We focused on upgrading VicForests' supply chain system to leverage contemporary technology, and to facilitate more connected processes and information. The supply chain system is the authoritative source of information and is used to manage assets and activities associated with the land and forest.

We continued to improve all our core ICT systems to maintain relevant external accreditation through the provision of third-party support and services delivered under contractual agreements and partnerships.

ICT strategic initiatives included strengthening our cybersecurity posture and the expansion of VicForests' portfolio of cloud technology. We regularly reviewed and analysed our data storage solutions and ICT architecture to identify areas of improvements in performance, functionality, security, and integrity of data. We strived to service our customers and stakeholders with more insightful and accessible business management information.

We worked closely with other government agencies and ICT committees to keep abreast of technology trends and offerings and to understand and alleviate security risks. This engagement provided an opportunity for VicForests to participate in setting strategies for ICT services we are currently using as well as emerging services, which will cater for our ongoing business requirements.

We also continued to facilitate and support hybrid working arrangements. We used mobile technologies for remote/field activities, which provided agility and flexibility for our work force in a cyber secure manner. The provision of collaborative tools has helped to foster an innovative culture and increased staff engagement.

### **Initiative 9:** **Finalise Memorandum of Understanding documentation (MoUs) with Traditional Owner Groups, including formal partnerships**

VicForests continued to build on our relationships and consultation with Registered Aboriginal Parties and Traditional Owners to ensure meaningful involvement in decisions about their Country.

Work continued with various Traditional Owner groups including:

- assisting Dja Dja Wurrung Clans Aboriginal Corporation in restoration of Country in the Wombat State forest area following storm damage
- agreements to source water monitoring and other services from Taungurung Land and Waters Council.

### **Initiative 10:** **Develop and implement People Strategy**

VicForests continued to support the professionalism and effectiveness of our people to maintain a skilled, safe and innovative workforce.

We continued to develop and educate employees by offering a suite of courses through our internal human resources system, ELMO, as well as external skill providers. Employees continued to strive to meet their personal and work performance goals through our Performance Development Program tool.

Mid-year we shifted our focus from education to staff wellbeing to support our people impacted by court litigation and subsequent cessation of forest operations. We continued to provide counselling and support services as well as focusing on skills to manage change and build personal resilience through times of uncertainty and change.

Our use of technology continued to allow flexible working arrangements, including working remotely, onsite and with a variety of hybrid arrangements.

### **Initiative 11:** **Regulatory Performance Improvement Program**

VicForests has achieved consistently high results from external audits (96 per cent compliance reported for the 2022 Forest Audit Program) and has maintained its Responsible Wood certification.

Spatial data applications and tools are automating repeatable tasks such as assessment of harvesting history in fire management zones, quality assurance of harvesting history, evaluation of allocated harvest areas, identification of coupes for pre-harvest surveys, uploading of species detection records, assessment of Old Growth presence and generation of Old Growth assessment reports.

The use of LiDAR assists with categorisation of slope and identification of drainage.

**Initiative 12:****Refresh Zero Harm Strategy**

VicForests continues to implement its Zero Harm Strategy to ensure the safety and wellbeing of VicForests' people, contractors, visitors, and the community.

Key initiatives implemented this year include:

VicForests 'Boots out of the Forest' program, focusing on technology-based solutions to a significant increase in field work over recent years, such as:

- the use of drones for pre-harvest, post-harvest mapping and reconciliation
- tablets continued to fit live tracking of forestry machines.
- maintain a focus on mental health and wellbeing, particularly for our people impacted by court litigation and subsequent cessation of forest operations
- delivery of module three of a contractor wellbeing program
- creation of the employee wellbeing face to face support program
- continued safety leadership training and coaching for key managers within the operations team.

**Initiative 13:****Implement proactive communications and media strategy**

A key priority has been to continue enhancing public awareness about, and perception of our operations by implementing a proactive communications and media strategy. Using a variety of channels, including our website, we have focused on explaining how we conduct our operations responsibly, sustainably and with care and respect for our forests.





## Government and forestry services

### Farm forestry

As part of the Victorian Forestry Plan, the Victorian Government has invested \$10 million over four years to develop and deliver the Gippsland Farm Forestry Program.

Now in the second year, the farm forestry program continued to support landholders to establish trees on farms, specifically grown for future timber supply. Recognising that landholders are constantly seeking to reconcile a diverse range of factors and objectives in their management, VicForests worked with landholders and associated specialists to help ensure the integration of timber trees and agriculture (and other natural and built elements) within a whole farm planning context. This ensured that trees complement rather than compete with other uses and values at the farm scale.

Various activities that have been completed or are progressing in 2022–23 including:

- Release of grants to landholders to establish farm forestry demonstration sites across Gippsland that demonstrate the integration of timber trees and agriculture. Ten grants were awarded to establish 90 hectares of demonstration site across Gippsland, with establishment due to start in Spring 2023. A second round of grants was released in March 2023 to promote and incentivise the establishment of farm forestry in Gippsland. The release has targeted 50 successful applicants to establish up to 300 hectares of plantation woodlots, shelter belts and wide spaced planting.
- Development of an online farm forestry information platform to assist farm tree growers to make informed decisions regarding the establishment and management of their farm forestry projects.
- Provision of technical farm forestry advice to Gippsland growers.
- Successful completion of a demonstration site grants program in which 93 hectares of demonstration sites will be established across Gippsland to help promote farm forestry.
- VicForests attendance at various field days and seminars to promote farm forestry.
- Building relationships and partnerships with other key farm forestry and timber industry organisations, including the Gippsland Forestry Hub, Private Forests Tasmania, and the Gippsland Agroforestry Network.

### Nursery

Following an unsuccessful tender process and rising building costs, VicForests reviewed the commercial requirements including the impact of changes in the construction industry and market demands since the project inception in 2019. VicForests understands Government is currently examining alternative options informed by consultation with the community.

### Seed management

In 2022–23, VicForests supplied DEECA with approximately 2.3 tonnes of Alpine Ash, Mountain Ash and Messmate seed under the State Recovery Plan.

Seed supplied this year was in addition to the 3 tonnes supplied in the immediate aftermath of the 2019–20 bushfire season and the 3.5 tonne supplied in 2021–22.

VicForests' current seed agreement with DEECA runs until August 2023. Negotiations are in progress to extend it until 30 June 2024. Due to poor seed crops, collection in 2023–24 will likely be at a significantly lower level than previous years.

### Gippsland Plantation Investment Program plantation

Various activities have been conducted in 2022–23 to consolidate establishment of the Blue Gum and radiata pine plantings, including deer control to minimise browsing and destruction of seedlings, and further post-planting weed control to minimise competition to seedlings and to control noxious weeds.

Other works have included fertilisation of some areas and the maintenance of roads, tracks, and firebreaks within the 520 hectares plantation estate.

### Debris management and recovery services

VicForests continued to support the storm recovery effort following the 2021 storms events that caused extensive damage across Gippsland, Southern Metropolitan Melbourne, the Dandenong Ranges and Central Victoria. In the hardest hit areas, the storms resulted in a significant amount of fallen and hazardous trees and debris.

VicForests' storm response included a broad range of works on impacted areas to remove heavy debris and support recovery under various agreements with government and others including the Dja Dja Wurrung Clans Aboriginal Corporation.

In the 2022-23 financial year VicForests worked with DEECA, Melbourne Water and Parks Victoria, to re-establish safe access for the public and firefighters, as well as reducing longer-term bushfire risks. Timber recovery works and the clearing of dangerous trees and debris continued in the Dandenong Ranges National Park, the Silvan Reservoir catchment, the Cobaw and Wombat State forests.

#### **VicForests partnership with Traditional Owners**

VicForests partnered with the Dja Dja Wurrung Clans Aboriginal Corporation to assist in restoring their Country in the Wombat State Forest. These works are being facilitated via the Forest Recovery Timber Utilisation Plan (TUP) and are ongoing.



# Operations

Market conditions for sawn hardwood in 2022–23 continued to be strong despite a weakening in housing construction activity. The tightening of log supply resulted in increased demand for the available sawn hardwood which maintained the upward trend in sawn hardwood prices. Prices payable by VicForests sawlog customers increased around 11–12% over the 12 months.

Following the release in November 2022 of the Court Orders in the Environment East Gippsland Inc and Kinglake Friends of the Forest Inc Supreme Court cases, harvesting operations were suspended in the affected Forest Management Areas for the remainder of the 2022–23 year. Log supply to customers was severely impacted. In recognition of this, customers were offered early monthly payment of the compensation owed to them under their supply contracts for log under-supply.

VicForests continued to manage timber recovery operations in storm affected areas in the Wombat State Forest, Silvan Dam area and Dandenong Ranges in 2022–23 on behalf of other organisations with logs being supplied to our existing customers.

Early in 2023 Opal Australia announced the end of its white paper production leading to the last delivery of native hardwood pullog to the Maryvale mill. As 2022–23 closed, customers who were applicants in the Government's Early Opt-out Scheme that had committed to not purchasing logs from Victorian State forests after 30 June 2023 were requesting to have their agreements terminated.

In 2022–23 VicForests sold 65,759.54 m<sup>3</sup> of sawlog and 95,257.02 m<sup>3</sup> of pullog, representing around 17% of planned sales. Firewood log sales were also reduced, totalling 16,767 m<sup>3</sup>. VicForests generated \$17.88 million in gross sales revenue in 2022–23.

On 23 May 2023, the Government announced that commercial native forest harvesting would cease in Victorian State forests on 31 December 2023.

## Forest contracting

Most harvest and haulage contracts were amended to account for prolonged stand down periods incurred as a result of Court Orders in the Environment East Gippsland Inc and Kinglake Friends of the Forest Inc cases reducing the availability of areas for harvest. Amendments provided a structured methodology for paying contractors during stand down at up to 100% of their rates based on the availability of their equipment and workers. Pass through of payments to workers and main sub-contractors was facilitated by these amendments. They also provided a methodology for providing contractors with alternative work instead of being stood down. Contractors who opted not to amend their contracts were paid stand down rates at 67% of their base rates.

Harvest capacity reduced by 50,000 m<sup>3</sup> per year with the exit of two harvest contractors. One contractor exited upon the expiry of their contract, the other contract was terminated early at their request due to the lack of availability of areas for harvest and the notification that harvesting would cease altogether in Victoria from 31 December 2023. Haulage contracting capacity remained unchanged.

No new harvest and haulage contracts were entered into during 2022–23. However, 5 contracts due to expire on 30 June 2023 were extended to 30 September 2023 while VicForests awaited a decision on its appeal from the decisions in the Environment East Gippsland Inc and Kinglake Friends of the Forest Inc case to the Victorian Court of Appeal.

Two new contractors were added to the Rooding Panel and 71 contractors have now signed onto the Victorian Government's Supplier Code of Conduct.



# VicForests in the community

## Community forestry operations

The Community Forestry program is managed by VicForests on behalf of the Victorian Government. Operations are characterised by their low impact with a focus on the use of thinning and selection practices in most instances.

The revenue generated from VicForests' Community Forestry operations in 2022-23 was \$0.3 million against a program cost of \$1.2 million.

The program directly supports over 50 businesses or groups in regional Victoria.

Community Forestry operations generate a broad range of products which are primarily produced by businesses and used by people in surrounding communities. Products generated including firewood and fencing materials, with high-quality timber being used for such products as bar-tops, furniture, appearance-grade cladding, specialised railway uses and musical instruments.

## Stakeholder engagement

Stakeholder engagement continued to be integral to improving the public's understanding of VicForests and how we operate. Engagement enabled us to explain our planning process, and the diverse range of social, ecological and economics factors that are considered prior to harvesting and to explain how biodiversity and forest values are managed.

Consultation is a key part of engagement, especially with nearby neighbours and other stakeholders in relation to coupes of interest, or regarding changes to the Timber Release Plan. This consultative process remained a focus in 2022-23.

Activities this year included:

- online and face-to-face briefings with key stakeholders, including community groups, local environment groups, councils, and associations
- field trips with government and local stakeholders
- local community field days and events

- educational field trips and online presentations with over 10 schools
- commenced an educational timber use project with Powelltown mill and Yarra Ranges
- regular email notifications to our database of over 1500 stakeholders
- regular updates to the VicForests website
- continued to provide timely and informative response to all online queries.

In 2022-23 VicForests hosted numerous briefings across regional Victoria with councillors and senior council representatives from key local government areas. This included Mansfield, Wellington and Mitchell Shire. Ongoing consultation with, and briefs and presentations to councils has assisted with management of ongoing inquiries and information requests.

VicForests briefs the Minister for Agriculture and the Treasurer and regularly engages with local government. We responded to regular requests for information from local representatives including Members of Parliament. We have a constructive relationship with the Department of Treasury and Finance (DTF) and DEECA who oversee our legislative framework. We also met frequently with regional and policy staff of DEECA and the Office of the Conservation Regulator (OCR) and strive for continuous improvement in meeting our obligations.

VicForests continued to engage in discussions with non-government organisations regarding protected or threatened species management and timber harvesting operations.

We also actively engaged with industry bodies including Victorian Forest Products Association, Wood Products Victoria, Australian Forest Products Association, Forest and Wood Products Australia, Gippsland Forestry Hub, Australian Forest Contractors Association, Forestry Australia, Timber Towns Victoria and National Timber Councils.

## Traditional Owners' engagement and Reconciliation Action Plan

During 2022–23 the focus of the Reconciliation Action Plan Working group continued to be the implementation and delivery of a Reconciliation Action Plan (RAP) for VicForests, as facilitated by Reconciliation Australia, and the development of meaningful relationships with Traditional Owner groups leading to tangible outcomes.

We continued to work toward establishment of formal agreements, partnerships, and commercial arrangements with Traditional Owner groups across Victoria.

While changes to operations presented significant challenges to realising some of the objectives of the RAP, we continued to work with Traditional Owners to realise tangible outcomes in field

operations, increasingly trying to align outcomes with objectives identified within Country Plans and as otherwise requested by Traditional Owner groups.

VicForests worked closely with Traditional Owner groups east of the Snowy River, and Gunaikurnai across East Gippsland in a Healthy Country Pilot Project. The purpose of this project is to establish a series of demonstration sites on culturally recognisable parcels of land where the forest has been restored using Traditional Owner knowledge. Works commenced on our first site in early 2023 and continued at low scale without the removal of trees.





# Forest management

## Independent audit results

DEECA again conducted its independent Forest Audit Program of VicForests compliance with the Code of Practice for Timber Production and the associated Management Standards and Procedures for timber harvesting operations in Victoria's State Forests (Code) in 2022. This audit, conducted by an accredited environmental auditor, found VicForests' operations to be on average, 96 per cent fully compliant with all relevant Code requirements. While noting coupe selection was risk-based, rather than fully randomised, and the findings of this audit cannot be taken as being statistically representative of VicForests' operations overall.

Compliance with the regulatory framework was assessed for 32 coupes in the Central Highlands, Gippsland, North East and East Gippsland Region Forest Agreement areas. Coupes were selected using a risk-based procedure that emphasised coupes with:

- waterway crossings
- long lengths of in-coupe road
- steep slopes, more erosive soils
- rainforest vegetation in close proximity
- presence of threatened flora and/or fauna
- Special Protection or Special Management Zones (SPZ and SMZ respectively) in close proximity.

The regulatory compliance criteria considered in this audit included Code mandatory actions relating to:

- protection of soil, water and river health
- conservation of biodiversity
- operational planning and record keeping
- coupe infrastructure for timber harvesting operations.

## Forest conservation program

For the first 5 months of this financial year VicForests continued implementing our retention harvesting systems as well as its pre- and post harvest environmental survey programs.

However, the decision of the Supreme Court of Victoria in November 2022 in the matters brought by Environment East Gippsland Inc and Kinglake Friends of the Forest Inc, resulted in a major postponement of most of our operations, until a survey methodology for Southern Greater Gliders (SGG) and Yellow-bellied Gliders (YBG) could be developed.

The outcome of these court cases (and a subsequent case commenced by Gippsland Environment Group Inc that did not proceed to trial and judgement) is that it was necessary for VicForests to develop a method to comprehensively survey each coupe in the Central Highlands region and Gippsland and East Gippsland Forest Management Areas to determine the presence of any SGG or YBG and to then protect the home range of any SGG, along with feed trees and hollow bearing trees. Further significant retention within the net harvestable area of a coupe is also required. As both glider species are nocturnal, any survey must be conducted at night, which poses health and safety risks. To be able to conduct comprehensive Glider surveys safely, VicForests worked with the University of Melbourne and drone providers to develop a survey method that uses thermal imaging technology in conjunction with a normal RGB (red, green, blue) camera and spotlight, deployed by drone.

## Certification

VicForests is certified to the Australian Standard for Sustainable Forest Management (AS 4708) operated through the Responsible Wood Certification Scheme under the PEFC certification system – the largest forest certification system in the world. VicForests maintained its certification including a transfer of accreditation to the updated Australian Standard for Sustainable Forest Management AS/NZS 4708:2021. Surveillance audits are conducted every 9 months and recertification audits every 3 years.



## Sustainability Charter

The Victorian Government's Sustainability Charter for Victoria's State Forests lists seven initiatives for the sustainable management of state forests. These include the maintenance and conservation of biodiversity, soil, and water, while maintaining and enhancing the many socio-economic benefits of state forests to Victorian communities. In accordance with the *Sustainable Forests (Timber) Act 2004*, VicForests develops initiatives to meet these objectives. Implementation and progress against these initiatives is set out below.

### Initiative one

This initiative seeks to maintain and conserve biological diversity in State forests.

Across the 2022–23 reporting period, VicForests continued to implement its Sustainable Forest Management System. During this period we:

- continued to monitor, assess and review the suite of adaptive management prescriptions for threatened flora and fauna, including the development of new avenues for pre-harvest fauna detection using drones
- continued to implement a suite of pre-harvest surveys to identify the presence or absence of threatened flora and fauna species and implement appropriate management actions for these detections
- continued to work with DEECA's Forest Protection Survey Program to identify the presence or absence of threatened flora and fauna species and implement appropriate management actions for these detections
- continued to implement the Old Growth Assessment Tool developed by DEECA and exclude areas assessed as old growth forest from timber harvesting operations
- continued to undertake habitat and hollow-bearing tree surveys prior to harvest, with the program recording:
  - over 64,000 trees with over 24,000 being mature or senescent
  - over 1200 large trees with diameters greater than 2.5 m
  - over 100 Yellow-bellied Glider feed trees.
- used habitat tree assessment data to further develop predictive models, which assists VicForests to implement new silvicultural methods and inform harvesting retention levels that balance social, environmental, and economic values
- continued to gather operational data for research, evaluation and internal audits designed to continuously improve our Sustainable Forest Management System
- implemented all interim and final protections identified through the RFA Threatened Species and Community Risk Assessment.

### Initiative two

This initiative seeks to maintain and improve the capacity of forest ecosystems to produce wood and non-wood products.

Across the 2022–23 reporting period, VicForests:

- continued to implement VicForests' high conservation value (HCV) management systems and variable retention harvest systems, which helps mitigate timber harvesting impacts on the loss of hollow-bearing trees
- continued to regenerate harvested forest to the standards within the Code
- conducted various management activities to consolidate establishment of the 2019 and 2020 Blue Gum plantings, including deer control to minimise browsing and destruction of seedlings, and further post-planting weed control to minimise competition to seedlings and to control noxious weeds; and other works including the fertilisation of some areas and the maintenance of roads, tracks, and firebreaks
- staff continued to support FFMVic on fire prevention and suppression activities.

### Initiative three

This initiative promotes healthy forests by actively managing disturbance.

Across the 2022–23 reporting period, VicForests:

- continued to evaluate the implementation of VicForests' harvesting and regeneration systems and HCV protection measures
- continued to monitor the long-term impacts and benefits of harvesting practices through the continued development and implementation of a post-harvest fauna and flora program to monitor presence and persistence of threatened species
- continued to work collaboratively with research partners including universities, for example we extended the research programs with the University of Melbourne in areas such as regrowth retention harvesting and Tree

Geebung population studies which includes age modelling

- provided data and information to ARI to undertake survey programs and projects relating to the comprehensive Code review
- continued modelling of habitat for a range of threatened species that supports planning for forest management
- worked with partner agencies to remove high fuel loads from forest following significant windthrow and storm damage.

### Initiative four

This initiative seeks to maintain and conserve the soil and water resources of state.

Across the 2022–23 reporting period, VicForests:

- continued to apply Code requirements relating to soil and water as a minimum, and in some areas additional prescriptions were put in place due to higher risk such as in areas impacted by the 2019–20 bushfires
- continued to implement and expand the water testing and monitoring programs at certain watercourse locations downstream of timber harvesting operations, which included the development of monitoring controls
- was part of a team that conducted a quantitative assessment of the effectiveness of buffers of different widths. This study resulted in a framework that was informed by hydrological modelling to provide a risk-based approach for assigning buffer widths. These optimised buffer widths were then applied to protect important aquatic environments
- worked with DEECA to provide data and information for a research program investigating the sediment input into the stream network from forestry roading and waterway crossings to assess the effectiveness of the Code in reducing sediment inputs
- increased our focus on road and stream crossing monitoring and maintenance program

### Initiative five

This initiative seeks to maintain and better understand the role of Victoria's forests in the carbon cycle. The core focus of this initiative is to research, develop and inform VicForests' Climate Change and Carbon Strategy.

Across the 2022–23 reporting period, VicForests:

- provided information to CSIRO to help refine biomass predictions used to inform carbon stock changes modelled under the Commonwealth Government's Full Carbon Accounting Model (FullCAM)
- commenced the planning stages for developing a framework for monitoring carbon stock and its flow across native forests in Victoria
- contributed to the development of soil carbon research in native forests
- continued investigation of carbon sequestration opportunities from farm forestry and plantation projects, which has included further financial modelling, and consideration of the policy and legislative requirements to account for carbon and support the development of information to help landholders create carbon credits.

### Initiative six

This initiative seeks to maintain and enhance the socio-economic benefits of state forests to Victorian communities and to strengthen VicForests' relationships and engagement practices with stakeholders. A detailed overview of stakeholder engagement efforts can be found in the stakeholder section of this report.

Across the 2022–23 reporting period, VicForests continued to strengthen our relationships with stakeholders through:

- 9 online and face-to-face briefings with key stakeholders, including community groups such as Nowa Nowa Community Development Group, and associations such as Victorian Fishing Association and VR Fish
- 6 field trips with government and local stakeholders
- educational field trips and online presentations with over 10 schools
- regular email notifications to our database of more than 1500 stakeholders
- regular updates to the VicForests website

### Initiative seven

This initiative ensures Victoria's legal, institutional, and economic frameworks effectively support the sustainable management of state forests.

Across the 2022–23 reporting period, VicForests:

- actively engaged with DEECA on forest policy, economic and management activities
- actively engaged with the OCR regarding compliance with the Code and other regulatory matters
- ensured VicForests' Sustainable Forest Management Systems has systems in place so operations comply with the regulatory requirements and interpretations from OCR; where Court Orders alter the previously understanding of requirements, VicForests systems were updated to comply with these requirements
- provided input, feedback and advice to the government's forest policy programs including the comprehensive Code review, the development of new Forest Management Plan and the Threatened Species and Communities Risk Assessment processes
- continued VicForests' Science Committee.
- Continuation of VicForests Scientific Advisory Committee.





# Financial summary

## Summary of financial results

	2018-19	2019-20	2020-21	2021-22	2022-23
Sales volume (m <sup>3</sup> )	1,103,798	956,689	925,575	954,997	65,760
<b>\$'000</b>					
<b>Income from sale of forest products</b>	<b>94,039</b>	<b>84,792</b>	<b>85,576</b>	<b>88,351</b>	<b>17,901</b>
Stumpage <sup>(i)</sup>	22,066	19,405	15,312	16,692	(1,273)
% of sales revenue	23.5%	22.9%	17.9%	18.9%	-7.1%
<b>Net result from transactions before income tax</b>	<b>4,081</b>	<b>(8,746)</b>	<b>(16,194)</b>	<b>(32,911)</b>	<b>(37,486)</b>
% of sales income	4.3%	-10.3%	-18.9%	-37.3%	-209.4%
<b>Net result from continuing operations after income tax</b>	<b>1,953</b>	<b>(10,098)</b>	<b>(4,726)</b>	<b>(54,179)</b>	<b>(60,107)</b>
% of sales income	2.1%	-11.9%	-5.5%	-61.3%	-335.8%
Net cash flow from operating activities	(462)	17,329	(8,292)	(10,926)	(31,071)
Total assets	99,153	81,819	84,316	54,567	80,163
Total liabilities	33,392	26,156	33,086	57,516	144,289
Net worth	65,761	55,663	51,230	(2,949)	(64,126)
Net debt <sup>(ii) (iii)</sup>	5,642	(8,145)	1,910	17,377	49,970
<b>Gearing (net debt/(net debt plus net worth))</b>	<b>7.9%</b>	<b>N/A</b>	<b>3.6%</b>	<b>120.4%</b>	<b>-353.0%</b>

Notes:

(i) Stumpage = income from sale of forest products less production expenses

(ii) Net debt = short-term debt plus long-term debt less cash and deposits

(iii) With the adoption of AASB 16 Leases on 1 July 2019, net debt includes lease liabilities

## Financial and business performance

The ongoing effect of litigation on coupe availability has significantly affected the financial performance of VicForests for the year ended 30 June 2023. The Victorian Government further announced in May 2023 its decision to bring forward the cessation of native timber harvesting in the state's forests to 1 January 2024. In light of these events, VicForests returned a net loss from continuing operations after tax of \$60.1 million (2022: \$54.2 million).

The operating result was hampered by the combined effect of court injunctions and the change in Government policy. This has largely reduced VicForests' ability to access allocated timber resources. Harvested volumes saw a significant decrease in the current period as a result.

In addition to reduced margins from the sale of timber, VicForests has had to provide substantially more in compensation payments paid to customers where VicForests has been unable to supply the minimum allowable under the respective timber supply agreements, and stand-down payments to contracted harvest and haulage contractors. For the year ended 30 June 2023, the amount provided for customer compensation was \$109.5 million (2022: \$7.5 million). Similarly, the amount paid to contractors as compensation for the year was \$40.8 million (2022: \$6.1 million). VicForests was therefore largely reliant on reimbursement from the Government to meet its financial obligations to these parties. \$149.0 million in income from Victorian Government entities for compensation payments was recognised for the year ended 30 June 2023 (2022: \$6.3 million).

Legal proceedings brought against VicForests by environmentalist groups continued to place a burden on indirect expenses. Whilst a number of these long running matters concluded during the year, legal expenditure still amounted to \$5 million (2022: \$10.5 million).

In addition to the court injunctions, the change in Government policy to cease native timber harvesting in state forests harvesting by 1 January 2024 further compelled a substantial adjustment to the value of the native timber biological assets. The expected cashflows arising from the asset is very minimal from 30 June 2023. On this basis, the carrying value of the asset was deemed to be \$0 as at 30 June 2023 (2022: \$14.7 million). Amounts recognised in the comprehensive operating statement for the year include a loss upon revaluation of \$12.9 million (2022: \$17.7 million) and

\$1.8 million (2022: \$8.0 million) in amortisation for the year.

Similarly, given the imminent cessation of native timber harvesting, the carrying value of roads and bridges was likewise written down to \$0 as at 30 June 2023 (2022: \$2.7 million). The revaluation adjustment reduced the asset revaluation reserve held by VicForests to \$1.2 million (2022: \$2.3 million) with the remaining revaluation loss of \$0.8 million (2022: \$Nil) expensed in the comprehensive operating statement.

In respect of the Balance sheet, financial assets increased significantly primarily due to \$61.9 million (2022: \$6.2 million) of receivables recognised for government reimbursement for customer delivery shortfalls and contractor stand-down payments.

Non-financial asset levels decreased by \$28.1 million due in part to reduction in value of biological assets (\$14.7 million), seed inventory (\$2.5 million) and roads and permanent bridges (\$2.7 million). The disruptions to harvesting operations furthered prompted the de-recognition of deferred tax assets on temporary differences carried forward from previous years. The balance as at 30 June 2023 amounts to \$1 million (2022: \$7 million).

Liabilities increased by \$86.8 million overall primarily due to a \$15.7 million increase in payables and accruals and a \$33.8 million increase in provisions to allow for customer and contractor compensation. A further \$6.3 million increase in provisions was recognised for regenerative and rehabilitative works for harvested areas and access roads. The remaining movement is largely attributed to increased borrowings with the Treasury Corporation of Victoria of \$52.7 million (2022: \$19.9 million). The borrowings represent the government's support to enable VicForests to meet its financial obligations in light of the complex regulatory environment and its effect on sustainable cashflow generation from operations.

In respect of the cash flow, VicForests incurred a deficit in net cashflow from operating activities of \$31.1m (2022: \$10.9m), which reflects the net deficit after government reimbursement of customer and contractor compensation payments were received.

VicForests invested a net \$1.0m (2022: \$1.3m) in purchases of new property, software, and plantation assets.

The deficit in operating and investing activities was financed by a further increase in borrowings – a net \$31.3m cashflow was generated from financing activities (2022: \$18.7m).

# Workforce data

## Occupational health and safety

At VicForests we continue to strive for Zero Harm.

Consultation and incident reporting remain the cornerstones of our safety program. One key change has been a review of our contractor consultative process. VicForests now holds a contractor safety meeting in each region quarterly. This enables us to access many more contractors and we can discuss both local issues and strategic, business-wide matters.

This is then supported by a whole of business contractor safety meeting where VicForests' key operational management and safety staff meet with contractor representatives to work through the feedback and propose actions in response to the regional meetings.

## Wellbeing

Wellbeing continued to be a focus with the extension of the Mental Health and Wellbeing program to all employees. This improved the relationships between employees and contractors as they were supported in a way that was unique and tailored to the changing needs of the industry as well as the employees and contractors.

We facilitated sessions with an experienced mental health provider who has industry experience through group events both face to face and via digital access as well as individual counselling and coaching sessions as requested on an as needs basis. Feedback from group sessions was analysed and assisted in the development of future sessions and programs of support.

## Injuries and investigation

During the 2022-23 period, it was observed that VicForests staff and contractors each experienced one lost time injury resulting from low-risk medical treatment injuries. As a result, contractors were able to achieve 10 months of zero harm, while staff achieved 8 months of zero harm.

To ensure the safety of all personnel, a review of the effectiveness of corrective actions and high-risk incident investigation was conducted. Additionally, a comprehensive internal audit of work centres was carried out, and the continued third-party system and field auditing of contractor

operations confirmed that workplaces were being operated in a safe manner.

To further enhance safety measures, a dynamic risk model of operational incidents is under development. This model will assist in prioritising high-risk safety areas and will be used to complete targeted safety interventions in the future.

To proactively address potential hazards, new ways of hazard reporting are being developed. This includes a new mobile hazard reporting app, which encourages staff to identify sources of harm before an incident occurs.

## Enterprise bargaining

With the agreement being ratified in early 2023, an immediate implementation process commenced which required significant adjustments to salary and wage classification, ensuring that we met the financial and industrial obligation of correct wages and payments as well as the implementation of benefits and new policies across all employees and the organisation.

In May 2023, the payroll processing period moved from monthly to a fortnightly pay cycle, this resulted in a review of all the prior payroll related processes and adjustments we made not only to manual process but systems as well to facilitate a timely and accurate payroll. This change in the pay cycle brought us in line with all other state government departments and entities.

The agreement continues to be the basis of all employment related principle and processes.

## Employment and conduct principles

VicForests continued to provide a safe, respectful, customer focused workplace where employees could be themselves and work without fear of discrimination or harassment. The annual People Matters survey reported that employees felt they could raise concerns with their manager and report incidents and concerns in a safe and confidential manner.

We further expanded the Peer Support Program to include Mental Health First Aid. We also worked in collaboration with interagency peers on a program that focuses on emergency management cross-functional mental health support.



During this period we continued to achieve high completion rates for required annual refresher training in bullying and harassment, VicForests Values and Behaviours, and the Victorian Public Sector Commission's Code of Conduct for Victorian Public Sector Employees.

## Learning and development

Training and learning opportunities continued to be a focus across the organisation, including:

- mandatory and legislated refresher and retraining courses
- learning opportunities through Forestry Australia
- personal skills development
- group and individual wellbeing education and support

We continued to review our internal learning library, which included updating the Bullying and Harassment and the Code of Conduct modules and implementing 7 new Cyber awareness modules.

## Diversity and inclusion

Diversity and Inclusion continued to remain at the forefront of the people and culture activities.

In 2022–23 we reviewed all policies, instructions and procedures relating to employees to ensure there was no terminology that could result in bias or discrimination. Work has commenced on ensuring multiple genders and identities are recognised within our human resources system (ELMO) and payroll systems. This will enable employees to identify as their true self as well as provide for more accurate records management and reporting of our employee data.

VicForests continued to participate in the FFMVic Diversity and Inclusion program, with 3 candidates successfully completing the program. We were also a representative on FFMVic's Project Control Board, ensuring we had a voice in the development of the program, which was relevant to VicForests as a significant contributor to emergency and fire management activities.



## Employment details

The following table discloses the headcount and full-time staff equivalent (FTE) of all employees of VicForests, in June 2023 and June 2022.

	All Employees Number (Headcount)		All Employees FTE <sup>(i)</sup>		Ongoing Full-Time (Headcount)		Ongoing Part-Time (Headcount)		Ongoing FTE <sup>(i)</sup>		Fixed Term & Casual Number (Headcount)		Fixed Term & Casual FTE <sup>(i)</sup>	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
<b>Gender</b>														
Female	57	58	53.94	52.51	32	39	9	10	38.74	46.52	16	9	15.20	5.99
Male	106	99	103.50	96.60	88	89	6	6	92.40	93.00	12	4	11.10	3.60
Self-described	0	0	0.00	0.00	0	0	0	0	0.00	0.00	0	0	0.00	0.00
<b>Grand Total</b>	<b>163</b>	<b>157</b>	<b>157.44</b>	<b>149.11</b>	<b>120</b>	<b>128</b>	<b>15</b>	<b>16</b>	<b>131.14</b>	<b>139.52</b>	<b>28</b>	<b>13</b>	<b>26.30</b>	<b>9.59</b>

<b>Age</b>														
15-24	14	8	13.60	6.20	9	6	0	1	9.00	6.20	5	1	4.60	0.00
25-34	35	42	34.60	40.56	31	37	1	2	31.60	38.40	3	3	3.00	2.16
35-44	36	30	34.60	28.20	28	24	4	4	31.00	27.00	4	2	3.60	1.20
45-54	36	39	35.40	37.35	26	29	3	4	28.40	32.12	7	6	7.00	5.23
55-64	29	28	27.80	27.20	21	24	4	3	23.80	26.20	4	1	4.00	1.00
65+	13	10	11.44	9.60	5	8	3	2	7.34	9.60	5	0	4.10	0.00
<b>Grand Total</b>	<b>163</b>	<b>157</b>	<b>157.44</b>	<b>149.11</b>	<b>120</b>	<b>128</b>	<b>15</b>	<b>16</b>	<b>131.14</b>	<b>139.52</b>	<b>28</b>	<b>13</b>	<b>26.30</b>	<b>9.59</b>

<b>Career Level<sup>(ii)</sup></b>														
1	0	0	0.00	0.00	0	0	0	0	0	0.00	0	0	0.00	0.00
2	19	18	18.20	15.60	12	14	1	2	12.60	15.00	6	2	5.60	0.60
3	30	34	27.84	32.48	22	29	5	3	25.74	31.32	3	2	2.10	1.16
4	52	50	50.80	48.20	42	42	5	5	45.80	45.60	5	3	5.00	2.60
5	35	33	33.60	31.60	26	27	4	6	29.00	31.60	5	0	4.60	0.00
6	16	14	16.00	14.00	15	13	0	0	15.00	13.00	1	1	1.00	1.00
7	4	4	4.00	3.23	3	3	0	0	3.00	3.00	1	1	1.00	0.23
Executive <sup>(iii)</sup>	7	4	7.00	4.00	0	0	0	0	0.00	0.00	7	4	7.00	4.00
<b>Grand Total</b>	<b>163</b>	<b>157</b>	<b>157.44</b>	<b>149.11</b>	<b>120</b>	<b>128</b>	<b>15</b>	<b>16</b>	<b>131.14</b>	<b>139.52</b>	<b>28</b>	<b>13</b>	<b>26.30</b>	<b>9.59</b>

### Notes:

- (i) FTE = full time equivalent on paid working hours of 38 ordinary hours per week over the 52 weeks for a reporting period.  
(ii) Career level classifications as per VicForests Enterprise Agreement 2020.  
(iii) Executives includes the Accountable Officer (CEO) who is a paid full-time employee of VicForests.

VicForests acknowledges that Diversity and Inclusion must be a focus across every level of the business – from the operational staff to the Executive Management to the Board. In 2022–23 we are pleased to report that 75 per cent of the Executive Management Team on Executive Pay Packages, including the Accountable Officer (CEO) are female, and that the Board is 50 per cent female.

## Annualised total salary by \$20,000 bands for executives and other senior non-executive staff

The following table discloses the annualised total salary for senior employees of VicForests, excluding the Accountable Officer (CEO), categorised by classification.

The salary amount is reported as the full-time annualised salary as at the last full pay period in June 2023.

Income Band (salary range) <sup>(i)</sup>	Executive Number	Other Number <sup>(ii)</sup>
\$160,000 – \$179,999	–	1
\$180,000 – \$199,999	–	2
\$200,000 – \$219,999	1	–
\$220,000 – \$239,999	1	–
\$240,000 – \$259,999	1	–
<b>Total<sup>(iii)</sup></b>	<b>3</b>	<b>3</b>

Notes:

- (i) The salaries reported are for the full financial year at a 1.0 FTE rate, excluding superannuation.
- (ii) Other non-Senior Executive staff paid at career level classification 7, excluding casuals, as per VicForests Enterprise Agreement 2020.
- (iii) The total reimbursement received or receivable by the Accountable Officer in connection with the management of VicForests during the reporting period is to be separately disclosed in Note 8.3 of the Financial Statements.

## Workplace Inclusion Policy

Consistent with the *Gender Equality Act 2020*, VicForests has a target of at least 50 per cent women on the executives' gender profile.

The following table outlines VicForests actual progress against this target in 2022–2023.

**Table 1: Gender profile at Executive Levels**

Workforce inclusion policy initiative	Target	Actual progress in 2022–2023	Actual progress in 2021–2022
	<b>Executive Officers:</b>	<b>Executive Officers:</b>	<b>Executive Officers:</b>
Gender profile at executive levels <sup>(i)</sup>	50 per cent women	75 per cent women	57 per cent women
	50 per cent men	25 per cent men	43 per cent men

Notes:

- (i) The self-described category is nil.



## Executive Data

A member of the Senior Executive Service (SES) is defined as a person employed as an executive under Part 3 of the *Public Administration Act 2004* (PAA) or a person to whom the Victorian Government's *Public Entity Executive Remuneration Policy* applies. All figures reflect employment levels at the last full pay period in June of the current and corresponding previous reporting year.

The definition of SES does not include an Accountable Officer.

The table below discloses the total number of SES for VicForests, broken down by gender

**Table 2: Total number of SES for VicForests, broken down into gender**

	All		Women		Men		Self-described	
Class <sup>(i)</sup>	No.	Var. <sup>(ii)</sup>	No.	Var. <sup>(ii)</sup>	No.	Var. <sup>(ii)</sup>	No.	Var. <sup>(ii)</sup>
SES1	2	(1)	1	(1)	1	0	0	0
SES2	1	(2)	1	0	0	(2)	0	0
<b>Total</b>	<b>3</b>	<b>(3)</b>	<b>2</b>	<b>(1)</b>	<b>1</b>	<b>(2)</b>	<b>0</b>	<b>0</b>

Notes:

(i) Does not include the Accountable Officer

(ii) The 'variations', denoted by 'var', between the current and previous reporting periods

The number of executives in the report of operations is based on the number of executive positions that are occupied at the end of the financial year. Note 8.3 in the Financial Statements lists the actual number of SES and the total remuneration paid to SES over the course of the reporting period. The financial statements note does not include the Accountable Officer, nor does it distinguish between executive levels or disclose separations. Separations are executives who have left VicForests during the relevant reporting period. To assist readers, these two disclosures are reconciled below.

**Table 3: Reconciliation of executive numbers**

		2023	2022
	Executives (Financial Statements Note 8.3)	6	6
	Accountable Officer (Chief Executive Officer)	1	1
Less	Separations	(3)	0
	<b>Total executive numbers at 30 June 2023</b>	<b>4</b>	<b>7</b>

# Other disclosures

## Local Jobs First

The *Local Jobs First Act 2003* introduced in August 2018 brought together the Victorian Industry Participation Policy (VIPP) and the Major Project Skills Guarantee (MPSG) Policy which were previously administered separately.

Departments and public-sector bodies are required to apply the Local Jobs First Policy in all projects valued at \$3 million or more in metropolitan Melbourne or for state-wide projects and \$1 million or more for projects in regional Victoria.

MPSG applies to all construction projects valued at \$20 million or more.

The MPSG guidelines and VIPP guideline will continue to apply to relevant projects where contracts have been entered into prior to 15 August 2018.

During 2022–23 VicForests' Local Jobs First outcomes were as follows:

Local Jobs First Standard		Number	Value	Local content
Contracts commenced where a VIPP or LIDP <sup>(i)</sup> was required	Metropolitan	Nil	N/A	N/A
	Regional	Nil	N/A	N/A
	State-wide	Nil	N/A	N/A
Contracts completed where a VIPP or LIDP <sup>(i)</sup> was required	Metropolitan	Nil	N/A	N/A
	Regional	1	\$2,529,243	94%
	State-wide	Nil	N/A	N/A
Contracts commenced where a VIPP or LIDP <sup>(i)</sup> was not required	Local by nature	Nil	N/A	N/A
	International by nature	Nil	N/A	N/A
Small to medium sized businesses engaged as either principal contractor or part of the supply chain		Nil	N/A	N/A
No grant or design contracts were entered into				

Notes:

(i) LIDP = Local Industry Development Plan

VicForests did not enter any Local Jobs First Strategic projects (\$50 million or more) or any MPSG projects during the 2022–23 financial year.

## Government advertising expenditure

No government advertising expenditure was incurred by VicForests during the reporting period.

## Social procurement

Social procurement activities and commitments	
Reporting period:	2022-23
Reporting entity:	VicForests
Number of social benefit suppliers engaged during the reporting period:	8
Total amount spent with social benefit suppliers (direct spend) during the reporting period (\$ GST exclusive):	434,202
Total number of mainstream suppliers engaged that have made social procurement commitments in their contracts with the Victorian Government:	Nil
Total number of contracts that include social procurement commitments:	Nil

## Information and communication technology expenditure

For the 2022-23 reporting period, VicForests had a total information and communication technology (ICT) expenditure of \$1,787,846.14 with the details shown below.

Non-BAU ICT expenditure related to projects to create or enhance ICT capabilities <sup>(iii)</sup>				
Total ICT expenditure <sup>(i)</sup>	BAU ICT expenditure <sup>(ii)</sup>	Total Non-BAU ICT expenditure	Non-BAU ICT operational expenditure (OPEX)	Non-BAU ICT capital expenditure (CAPEX)
\$'000	\$'000	\$'000	\$'000	\$'000
1,788	1,529	259	233	26

Notes:

- (i) ICT expenditure refers to VicForests' costs in providing business enabling ICT services within the current reporting period. It comprises Business as Usual (BAU) ICT expenditure and Non-Business as Usual (Non-BAU) ICT expenditure.
- (ii) BAU ICT expenditure is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability.
- (iii) Non-BAU ICT expenditure relates to extending or enhancing VicForests' current ICT capabilities.



## Consultancy expenditure

### Details of consultancies (valued at \$10,000 or greater)

In 2022–23 there were 9 consultancies where the total fees payable to the consultant was \$10,000 or greater. The total expenditure incurred during 2022–23 in relation to these consultancies was \$346,846 (excluding GST). Details are outlined below.

Consultant	Purpose of consultancy	Total approved project fee	Expenditure 2022–23	Future expenditure
		\$'000	\$'000	\$'000
Indufor Asia Pacific (Australia)	VicForests Transformation Project	120	114	6
Indufor Asia Pacific (Australia)	Timber Market Survey Project 2023	22	11	11
Indufor Asia Pacific (Australia)	Timber Market Survey Project 2022	22	11	11
University of Melbourne	Development of glider surveys and harvesting advice	30	30	-
University of Melbourne	Pilot study for regrowth monitoring and evaluation	409	97	81
Bartlett Forestry Consulting	Professional advice on National Forest Management System in Victoria and Code of Practice for Timber Harvesting	26	26	-
Bartlett Forestry Consulting	Professional advice on Victorian Government's Threatened Species and Communities Risk Assessment with Regional Forest Agreements	11	11	-
Hollow-Wood Enterprise	Advisory services to support improved forest planning and regulatory performance	18	17	-
Pinni Projects	Construction and project management consulting	56	30	-
<b>Total consultancy expenditure</b>		<b>714</b>	<b>347</b>	<b>109</b>

### Details of consultancies (valued under \$10,000)

In 2022–23 there were 2 consultancies engaged during the year, where the total fee payable to the individual consultancy was less than \$10,000 (excluding GST).

## Disclosure of major contracts

There were no new timber sale contracts entered into in 2022–23 with a value over \$10 million.

There were no new harvest or haulage contracts entered into in 2022–23 with a value over \$10 million.

## Legal proceedings

All the cases commenced against VicForests are based on allegations that VicForests has or will breach its regulatory obligations contained in the Code of Practice for Timber Production 2014 (as it stood at the time the particular case was commenced), and associated documents. The allegations all relate to obligations that are subject to the regulatory powers of DEECA and OCR. In some instances, these cases include claims about matters that have already been investigated by the Conservation Regulator.

VicForests defended these actions in accordance with the Model Litigant Guidelines for Victorian Government entities.

VicForests is disappointed in the outcome of the proceedings commenced against it by Environment East Gippsland Inc, Kinglake Friends of the Forest Inc and Warburton Environment Inc. VicForests appealed the Supreme Court's findings in all of these matters. On appeal, VicForests was also unsuccessful in the matters involving Environment East Gippsland Inc and Kinglake Friends of the Forest Inc. The cross-appeals made by those groups failed as the groups were not given leave to appeal. At the time of finalising this report, VicForests appeal (and the respondent's cross appeal) in the Warburton Environment Inc has been discontinued with the consent of all parties.

As a consequence of the unsuccessful court outcomes, VicForests experiences claims of having engaged in illegal logging. VicForests refutes that its operations are illegal. VicForests has complied with the Code of Practice for Timber Production in its operations and associated prescriptions to manage environmental threats (such as in the Management Standards and Procedures, Action Statements and the Threatened Species Communities Risk Assessment outcomes). However, vagaries in the Code have meant that when raised before the Court, the Court has determined these measures, driven by science and research, to be insufficient and requiring more before timber harvesting operations can occur. VicForests accepts the decisions of the Court and VicForests has operated in compliance with the interim and final orders made by the Court.

While a number of these long running matters have finished, at the date of this report, two matters in the Supreme Court of Victoria have judgement reserved.

The proceedings and the judgements against VicForests have collectively led to significant constraints on harvesting by VicForests, impacting

on our customers and contractors and have had a financial impact on the financial result for this year – totalling \$5 million in direct costs.

## Freedom of information

The *Freedom of Information Act 1982* allows the public a right of access to documents held by VicForests. The purpose of the Act is to extend as far as possible the right of the community to access information held by government departments, local councils, Ministers, and other bodies subject to the Act.

An applicant has a right to apply for access to documents held by VicForests. This comprises documents created by VicForests or supplied to VicForests by an external organisation or individual. Information about the type of material produced by VicForests is available on VicForests' website under the Legal section.

The Act allows VicForests to refuse access, either fully or partially, to certain exempt documents or information. Examples of documents that may be exempt include: some internal working documents; documents subject to privilege such as legal advice; personal information about other people; and information about a business of a commercial or financial nature that would be likely to unreasonably expose VicForests to disadvantage.

Freedom of Information (Foi) requests must be determined within 30 days. In some cases, this time may be extended.

If an applicant is not satisfied by a decision made by VicForests, under section 49A of the Act, they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter.

### Making a request

FOI requests can be made by mail or email to the VicForests' Freedom of Information Officer. From 1 July 2022 an application fee of \$30.60 applied to each request in the 2022-23 reporting period. This fee is indexed and subject to increase on 1 July each year. At the date of this report the fee is currently \$31.80.

When making an FOI request, applicants should ensure requests are in writing and clearly identify what types of documents are being sought. The request should be accompanied by the application fee (the fee may be waived in certain circumstances, on request).

Requests for documents in the possession of VicForests should be addressed to:  
 Freedom of Information Officer  
 VicForests  
 GPO Box 191  
 Melbourne VIC 3001  
 Email: [vfs.foi@vicforests.com.au](mailto:vfs.foi@vicforests.com.au)

### Freedom of information statistics and timeliness

In 2022–23 VicForests received 13 applications. Of these requests, there were five where access was provided in full or part, three were withdrawn or not proceeded with by the applicant, two were ongoing at the end of the reporting period, one where no documents were found to be responsive to the request and two where access to documents was facilitated and provided outside of the FOI regime. There were no requests where access was denied or a document was considered wholly exempt. Further, no requests were transferred to another department.

During 2022–23 one request was under reviewed by OVIC.

Further information regarding the operation and scope of FOI can be obtained from the Act, regulations made under the Act, and [www.ovic.vic.gov.au](http://www.ovic.vic.gov.au)

## Compliance with the Building Act 1993

VicForests does not own or control any government buildings and consequently is exempt from notifying its compliance with the building and maintenance provisions of the *Building Act 1993*.

## Competitive neutrality policy

Competitive neutrality requires government businesses to ensure that where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned. Competitive neutrality policy supports fair competition between public and private business and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

VicForests continues to comply with the requirements of the National Competition Policy.

## Compliance with the Public Interest Disclosures Act 2012

*The Public Interest Disclosures Act 2012* encourages and assists people in making disclosures of improper conduct by public officers and public bodies. It provides protection to people who make disclosures in accordance with the Act and establishes a system for matters disclosed to be investigated and rectified.

VicForests does not tolerate improper conduct by employees, nor the taking of reprisals against those who have come forward to disclose such conduct. We are committed to ensuring transparency and accountability in our administrative and management practices and support the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

VicForests is not authorised to receive public interest disclosures.

### Reporting procedures

Disclosures of improper conduct or detrimental action by VicForests or any of its employees and/or officers may be made to the Independent Broad-Based Anti-Corruption Commission (IBAC):

Level 1, North Tower  
 459 Collins Street  
 Melbourne VIC 3000

Website: [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

Email: See the website above for the secure email disclosure process, which also provides for anonymous disclosures.

To ensure independence and integrity, VicForests cannot receive disclosures made under the *Public Interest Disclosures Act*. All such disclosures should therefore be made directly to IBAC.

### Further information

The Protected/Public Interest Disclosure Policy and Procedures, which outlines the system for reporting disclosures of improper conduct or detrimental action by VicForests or any of its employees and/or officers, is available on VicForests' website [www.vicforests.com.au/protected-disclosures-1](http://www.vicforests.com.au/protected-disclosures-1)



## Disclosures under the Public Interest Disclosures Act 2012

No assessable disclosures were made by an individual to VicForests and notified to IBAC during the 2022–23 reporting period (2021–2022: Nil).

## Additional information available on request

In compliance with the requirements of the Standing Directions 2018 under the *Financial Management Act 1994*, details in respect of the items listed below have been retained by VicForests and are available on request, subject to the provisions of the *Freedom of Information Act 1982*.

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- details of publications produced by the entity about itself, and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by the entity
- details of any major external reviews carried out on the entity
- details of major research and development activities undertaken by the entity
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services
- details of assessments and measures undertaken to improve the occupational health and safety of employees
- a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes
- a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved
- details of all consultancies and contractors including:
  - consultants/contractors engaged
  - services provided

- expenditure committed to for each engagement.

This and previous VicForests Annual Reports can be found here:

[www.vicforests.com.au/annual-reports](http://www.vicforests.com.au/annual-reports)

The information is available on request from:

Freedom of Information Officer  
VicForests  
GPO Box 191  
Melbourne VIC 3001  
Email: vfs.foi@vicforests.com.au

## Attestation for financial management compliance with Standing Direction 5.1.4

### VicForests' financial management compliance attestation statement

I, Monique Dawson, on behalf of the Responsible Body, certify that VicForests has no Material Compliance Deficiencies with respect to the applicable Standing Directions of the Minister for Finance under the *Financial Management Act 1994* and Instructions. The VicForests' Audit, Finance and Risk Committee has reviewed the Attestation.



Monique Dawson  
Chief Executive Officer  
11 October 2023

## Compliance with DataVic access policy

Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, VicForests has made datasets available on the DataVic website in 2022–23. Information included in this Annual Report will also be available at [www.data.vic.gov.au](http://www.data.vic.gov.au) in electronic readable format.

## Compliance with model financial report

This report references the streamlined 2022–23 Model Report for Victorian Government Departments (the Model). Use of the Model by public sector agencies promotes consistency and comparability and it has been used as a guide by VicForests, where and to the extent applicable, for the 2022–23 reporting period.



# Financial statements

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## Certification of the financial statements

The attached financial statements for VicForests have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2023 and the financial position of VicForests at 30 June 2023.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 11 October 2023.

Signed .....

Ben Hubbard

Chair

Melbourne

Date: 11 October 2023

Signed .....

Monique Dawson

Chief Executive Officer

Melbourne

Date: 11 October 2023

Signed .....

Stephen Gatley

Chief Financial Officer

Melbourne

Date: 11 October 2023

# Independent Auditor's Report

## To the Board of VicForests

<b>Opinion</b>	<p>I have audited the financial report of VicForests (the entity) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2023</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• certification of the financial statements.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the entity as at 30 June 2023 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Board's responsibilities for the financial report</b>	<p>The Board of the entity is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>



**Auditor's  
responsibilities  
for the audit  
of the financial  
report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board'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 my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the 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.

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



Simone Bohan

*as delegate for the Auditor-General of Victoria*

## Comprehensive operating statement for the financial year ended 30 June 2023

	Notes	2023 \$'000	2022 \$'000
<b>Continuing operations</b>			
<b>Income from transactions</b>			
Income from sale of forest products	2.2	17,901	88,351
Other income from Victorian Government entities	2.3, 8.4	164,193	25,220
Other income from Harvest and Haulage for third parties		1,565	-
Other income		573	243
<b>Total income from transactions</b>	<b>2.1</b>	<b>184,232</b>	<b>113,814</b>
<b>Expenses from transactions</b>			
Production expenses	3.2	(19,174)	(71,659)
Employee benefits expenses	3.3	(21,496)	(20,296)
Roading expenses	3.4	(7,316)	(6,396)
Other operating expenses	3.5	(169,652)	(38,450)
Amortisation and depreciation expenses	4.3	(4,080)	(9,924)
<b>Total expenses from transactions</b>		<b>(221,718)</b>	<b>(146,725)</b>
<b>Net result from transactions before income tax</b>		<b>(37,486)</b>	<b>(32,911)</b>
Income tax (expense) on net result from transactions	3.6	(11,263)	(3,955)
<b>Net result from transactions after income tax</b>		<b>(48,749)</b>	<b>(36,866)</b>
<b>Other economic flows included in net result</b>			
Net (loss) on non-financial assets <sup>(a)</sup>	8.1	(16,365)	(18,828)
Net (loss) on financial instruments <sup>(b)</sup>	8.1	(7)	(6,173)
Net gain from other economic flows	8.1	147	268
<b>Other economic flows included in net result before income tax</b>		<b>(16,225)</b>	<b>(24,733)</b>
Income tax benefit relating to other economic flows	3.6	4,867	7,420
<b>Total other economic flows included in net result after income tax</b>		<b>(11,358)</b>	<b>(17,313)</b>
<b>Net result from continuing operations after income tax</b>	<b>6.2</b>	<b>(60,107)</b>	<b>(54,179)</b>
<b>Other economic flows – other comprehensive income:</b>			
<b>items that will not be reclassified to net result</b>			
Changes in physical asset revaluation surplus, net of income tax	6.4	(1,070)	-
<b>Total other economic flows – other comprehensive income</b>		<b>(1,070)</b>	<b>-</b>
<b>Comprehensive result</b>		<b>(61,177)</b>	<b>(54,179)</b>

The accompanying notes form part of these financial statements.

Notes:

(a) Net (loss) on non-financial assets includes unrealised and realised gains/(losses) from revaluations, impairments and disposals of all physical assets, except where these are taken through the physical asset revaluation surplus.

(b) The 2022 Net (loss) on financial instruments includes doubtful debts from other economic flows.

## Balance sheet

as at 30 June 2023

	Notes	2023 \$'000	2022 \$'000
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	6.2	4,799	5,620
Receivables	5.1	65,480	10,960
<b>Total financial assets</b>		<b>70,279</b>	<b>16,580</b>
<b>Non-financial assets</b>			
Biological assets	4.2	1,662	16,284
Inventories	5.4	2,526	6,502
Property, plant and equipment	4.1, 7.3	3,637	6,899
Tax assets	5.6	1,125	7,427
Other non-financial assets		934	875
<b>Total non-financial assets</b>		<b>9,884</b>	<b>37,987</b>
<b>Total assets</b>		<b>80,163</b>	<b>54,567</b>
<b>Liabilities</b>			
Payables	5.2	31,205	14,909
Borrowings	6.1	54,769	22,997
Employee related provisions	3.3	5,714	5,717
Other provisions	5.3	46,368	6,771
Tax liabilities	5.6	1,125	1,491
Contract liabilities	5.7	5,108	5,631
<b>Total liabilities</b>		<b>144,289</b>	<b>57,516</b>
<b>Net (liabilities)</b>		<b>(64,126)</b>	<b>(2,949)</b>
<b>Equity</b>			
Contributed capital		45,000	45,000
Physical asset revaluation reserve	6.4	1,212	2,282
Accumulated (deficit)		(110,338)	(50,231)
<b>Net worth</b>		<b>(64,126)</b>	<b>(2,949)</b>

The accompanying notes form part of these financial statements.

## Cash flow statement

for the financial year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from sale of forest products		26,802	102,280
Receipts from Victorian Government entities		114,549	20,898
Interest received from non-Victorian Government entities		17	33
Other receipts		1,503	88
<b>Total receipts</b>		<b>142,871</b>	<b>123,299</b>
<b>Payments</b>			
Payments to customers, suppliers and employees		(174,905)	(131,983)
Goods and services tax paid to the Australian Tax Office <sup>(a)</sup>		2,517	(2,161)
Interest and other costs of finance paid		(1,554)	(81)
<b>Total payments</b>		<b>(173,942)</b>	<b>(134,225)</b>
<b>Net cash inflow from operating activities</b>	6.2	<b>(31,071)</b>	<b>(10,926)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(721)	(697)
Purchases of intangible assets		(184)	(225)
Payments for capitalised plantation timber assets		(96)	(370)
Proceeds from sale of property, plant and equipment		1	-
<b>Net cash flows used in investing activities</b>		<b>(1,000)</b>	<b>(1,292)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		136,129	66,748
Repayment of borrowings		(103,369)	(46,808)
Repayment of principal portion of lease liabilities <sup>(b)</sup>		(1,510)	(1,205)
<b>Net cash flows from financing activities</b>		<b>31,250</b>	<b>18,735</b>
<b>Net increase/(decrease) in cash and deposits</b>		<b>(821)</b>	<b>6,517</b>
Cash/(bank overdraft) at the beginning of the financial year		5,620	(897)
<b>Cash at the end of the financial year</b>	6.2	<b>4,799</b>	<b>5,620</b>

The accompanying notes form part of these financial statements.

Note:

(a) The GST paid to the Australian Tax Office is presented on a net basis.

(b) VicForests has recognised payments for the principal portion of lease payments as financing activities, cash payments for the interest portion as operating activities consistent with the presentation of interest payments for leases and short-term lease payments for leases as operating activities.



**Statement of changes in equity**  
for the financial year ended 30 June 2023

	Contributed capital \$'000	Physical asset revaluation reserve \$'000	Accumulated (deficit)/ surplus \$'000	Total equity \$'000
<b>Balance at 1 July 2021</b>	45,000	2,282	3,948	51,230
Net result from continuing operations after income tax for the year	–	–	(54,179)	(54,179)
Other economic flows – other comprehensive income after income tax for the year	–	–	–	–
<b>Balance at 30 June 2022</b>	<b>45,000</b>	<b>2,282</b>	<b>(50,231)</b>	<b>(2,949)</b>
<b>Balance at 1 July 2022</b>	45,000	2,282	(50,231)	(2,949)
Net result from continuing operations after income tax for the year	–	–	(60,107)	(60,107)
Other economic flows – other comprehensive income after income tax for the year	–	(1,070)	–	(1,070)
<b>Balance at 30 June 2023</b>	<b>45,000</b>	<b>1,212</b>	<b>(110,338)</b>	<b>(64,126)</b>

The accompanying notes form part of these financial statements.

## Note 1

# About this report

### Corporate information

During the reporting period, VicForests operated as a State-owned enterprise, first established on 28 October 2003 by the Governor in Council acting under Section 14 of the *State-Owned Enterprises Act 1992*. VicForests commenced operations on 1 August 2004.

However, since the reporting date, the declaration of VicForests as a State business corporation has been revoked, and VicForests is now constituted as a reorganising body under Section 7(1) of the Act (See Note 8.7 – Subsequent events).

The Board of VicForests is directly accountable to the Victorian Government through the Minister of Agriculture, and the Treasurer.

Its principal address is:

VicForests  
Level 12, 461 Bourke Street  
Melbourne Victoria 3000

A description of the nature of VicForests operations and its principal activities is included in the 'A Year in Review' Report which does not form part of these financial statements.

### Basis of preparation

These financial statements are in Australian dollars, the functional and presentation currency of VicForests, and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The accrual basis of accounting has been applied in preparing these financial statements, whereby assets, liabilities, equity, income, and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Consistent with the requirements of AASB 1004 *Contributions*, contribution by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of VicForests.

Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability.

Judgements, estimates, and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods that are affected by the revision. There have been no judgements or assumptions made by management in applying the Australian Accounting Standards (AAS) that have resulted in significant effects on the financial statements for the current financial year.

These financial statements cover VicForests as an individual reporting entity and incorporate all activities of VicForests. VicForests has not provided segment information in relation to its operations as its operations are limited to the sustainable harvest, commercial sale, and regrowing of timber from Victoria's state forests; those operations being predominantly confined to Victoria.

VicForests is a for profit entity for the purposes of preparing these financial statements.

All amounts in the financial statement have been rounded to the nearest \$1,000 unless otherwise stated.

## Goods and services tax (GST)

- Income, expenses and assets (excluding trade receivables) are recognised exclusive of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.
- Trade receivables and trade payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a statutory receivable or statutory payable respectively in the balance sheet.
- Cash flows arising from investing and financing activities are disclosed in the cash flow statement on a net basis, i.e. exclusive of GST. The GST component of cash flows from investing and financing activities is included in the operating cash flows.

## Compliance information

These general-purpose financial statements have been prepared in accordance with the *Financial Management Act 1994*, including the Financial Reporting Directions (FRD), and applicable AAS's which include Interpretations issued by the Australian Accounting Standards Board (AASB).

In particular, they are presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Accounting policies selected and applied for these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

## Going concern

During the reporting period, VicForests normal operations were very disrupted, primarily by legal proceedings brought against VicForests. The result was significantly reduced revenue from sales of timber, compounded by significantly increased costs of customer compensation and contractor stand-down payments. As a consequence, the Victorian Government announced in May 2023 that native timber harvesting will cease in Victoria's state forests by 1 January 2024.

Given these outcomes, VicForests is reliant upon reimbursement from Government, of customer compensation claims and harvest and haulage contractor stand-down expenses, and increased borrowings in order to provide the cashflow required to meet its financial commitments. The Department of Energy, Environment and Climate Action (DEECA), and the Department of Treasury and Finance (DTF) are working closely with VicForests to address these issues. This included subsequent to the reporting date, the Government revoking the declaration of VicForests as a State business corporation, and reconstituting VicForests as a reorganising body instead. No further policy decisions had been made at the time of signing these financial statements.

In the absence of certainty on future liquidity, VicForests has received comfort that funding will be available when needed from the Treasurer of Victoria through a Letter of Support to the VicForests' Board. The letter affirms support will be provided to VicForests to enable it to meet its financial commitments as and when they fall due. The Board is placing reliance on this letter to give confidence that it can prepare its annual financial report for 2022-23 on a going concern basis to meet the requirements of AASB 101 *Presentation of Financial Statements*.

## Note 2

# Funding delivery of our services

### Introduction

This note provides an account of the income that funds the delivery of VicForests' services. Income is received from a variety of sources, including the receipt of specific purpose grants to support the delivery of Victorian Government policy objectives.

### Structure

This note includes:

- Note 2.1 Summary of income that funds the delivery of our services
- Note 2.2 Income from sale of forest products
- Note 2.3 Other income from Victorian Government entities

### Note 2.1 Summary of income that funds the delivery of our services

	Note	2023 \$'000	2022 \$'000
Income from sale of forest products	2.2	17,901	88,351
Other income from Victorian Government entities	2.3	164,193	25,220
Other income from Harvest and Haulage for third parties		1,565	–
Other income		573	243
<b>Total income from transactions</b>		<b>184,232</b>	<b>113,814</b>

### Note 2.2 Income from sale of forest products

	2023 \$'000	2022 \$'000
Sale of residual logs	8,865	45,266
Sale of sawlogs	8,022	41,457
Sale of other products	1,014	1,628
<b>Total income from sale of forest products</b>	<b>17,901</b>	<b>88,351</b>

Income from sale of forest products is generated from the sale of graded and ungraded sawlogs, residual logs and other products including bearer logs, firewood, poles, piles and posts, and seeds.

This income arises from contracts with customers and is recognised as and when VicForests satisfies or fulfils the specific performance obligations in the contracts. The income that is recognised is an amount that can be reliably measured and reflects the consideration to which VicForests is entitled in exchange for transferring the forest products or services to the customer. The amounts disclosed are net of returns.

A transaction price is allocated to each performance obligation and the income is then recognised when the obligations are satisfied.

For the majority of forest product sales, the performance obligation is when the product is delivered to the buyer's facility. The transaction price for these sales is inclusive of harvest and haulage costs recoverable (as applicable).

For the remainder of the forest product sales the performance obligation is generally satisfied when the customer collects the product from VicForests. The transaction price for these sales varies. Where standing timber is sold, the sale price does not include harvest or haulage costs recoverable, whereas 'on-truck' log sales include harvesting costs recoverable.

The substantial decrease in income from sale of forest products from the prior year is primarily because harvesting activities had to be suspended in the current period due to legal proceedings (See Note 5.3 – Other provisions).



**Note 2.3 Other income from Victorian Government entities**

	Note	2023 \$'000	2022 \$'000
<b>Specific purpose grants recognised under AASB 15:</b>			
Farm forestry establishment		554	477
Nursery establishment		199	307
Plantation funding		134	1,169
<b>Subtotal</b>		<b>887</b>	<b>1,953</b>
<b>Other income:</b>			
Reimbursement of customer compensation and contractor stand-down expenses		149,033	6,259
Provision of non-commercial, community and environmental services		10,500	12,610
Sale of seed and associated management services		2,008	3,382
Undertaking of Storm recovery works on public land		983	486
Employees seconded to firefighting		430	513
Interest income		194	14
Other goods and services supplied		158	3
<b>Subtotal</b>		<b>163,306</b>	<b>23,267</b>
<b>Total other income from Victorian Government entities</b>	<b>8.4</b>	<b>164,193</b>	<b>25,220</b>

VicForests has determined that specific purpose grant income received from other Victorian Government entities as included in the above table has been earned under arrangements that are enforceable and with sufficient specific performance obligations, to be accounted for as income from contracts with customers under AASB 15 *Revenue from Contracts with Customers*. These grants relate to VicForests undertaking management of the establishment of a Farm Forestry program, and construction of a Seedling Nursery. Income is recognised progressively as VicForests satisfies the performance obligation outlined in the agreements and to the extent that it is highly probable a significant reversal of the income will not occur. The funding payments are normally received in advance of the relevant obligation being satisfied.

In respect of other income received, VicForests provides goods and services to other Victorian Government entities or is reimbursed for various expenditures. Such activities are primarily with the Department of Energy, Environment and Climate Action (DEECA) (known as Department of Environment, Land, Water and Planning (DELWP) prior to 1 January 2023) and the Department of Jobs, Skills, Industry and Regions (DJSIR) (previously known as Department of Jobs, Precincts and Regions (DJPR)). Activities are charged on a cost recovery basis and brought to account as work is completed or expenditure is incurred (See Note 8.4 – Related parties).

In particular, DJPR has agreed effective from 1 July 2022, to reimburse VicForests for the amounts VicForests is contractually obligated to pay customers and harvest and haulage contractors respectively, in compensation for harvest volume shortfalls arising from legal proceedings.

## Note 3

# The cost of delivering services

### Introduction

This note provides an account of the operating expenses incurred by VicForests in delivering services and outputs and certain assets and liabilities associated with those expenses. In Note 2 - Funding delivery of our services, the funds that enable the delivery of our services were disclosed and in this note the operating costs associated with the delivery of those services are provided.

### Structure

This note includes:

- Note 3.1 Summary of expenses incurred in the delivery of services
- Note 3.2 Production expenses
- Note 3.3 Employee benefits expenses
- Note 3.4 Roding expenses
- Note 3.5 Other operating expenses
- Note 3.6 Taxation

### Note 3.1 Summary of expenses incurred in the delivery of services

	Note	2023 \$'000	2022 \$'000
Production expenses	3.2	19,174	71,659
Employee benefits expenses	3.3	21,496	20,296
Roding expenses	3.4	7,316	6,396
Other operating expenses	3.5	169,652	38,450
<b>Total expenses incurred in the delivery of services</b>		<b>217,638</b>	<b>136,801</b>

### Note 3.2 Production expenses

	2023 \$'000	2022 \$'000
Haulage	8,679	36,192
Harvesting	7,113	33,447
Other	3,382	2,020
<b>Total production expenses</b>	<b>19,174</b>	<b>71,659</b>

Production expenses comprise costs primarily incurred with external contractors, contracted to harvest standing timber and haul the resultant logs to the point-of-sale, normally the buyer's facility. (Stand-down payments to harvest and haulage contractors are included in Note 3.5 – Other operating expenses).

The substantial decrease in production expenses from the prior year is primarily because harvesting activities had to be suspended in the current period due to legal proceedings (See Note 5.3 – Other provisions).

### Note 3.3 Employee benefits expense

#### Employee benefits expenses in the comprehensive operating statement

	2023 \$'000	2022 \$'000
Salaries and wages, annual leave, long service leave, and terminations benefits	18,039	17,234
Superannuation expense	2,035	1,828
Employment related taxes and levies	1,422	1,234
<b>Total employee benefits expenses</b>	<b>21,496</b>	<b>20,296</b>

Employee benefits expense comprises:

- all direct costs related to employment including salaries, leave entitlements, payment of termination benefits (if any) and ex-gratia expenses (if any);
- Directors' fees and Committee fees;
- superannuation; and
- employment related taxes and levies including payroll tax, fringe benefits tax (FBT) and WorkCover insurance levies.

#### Superannuation contributions

	Paid contributions	
	2023 \$'000	2022 \$'000
<b>Defined contribution plans</b>		
VicSuper – part of Aware Super	929	892
Other	1,010	830
<b>Subtotal</b>	<b>1,939</b>	<b>1,722</b>
<b>Defined benefit plans</b>		
Emergency Services Superannuation (New Scheme)	96	106
<b>Total</b>	<b>2,035</b>	<b>1,828</b>

Employees (including Directors) of VicForests are entitled to receive superannuation benefits. The amount recognised in the comprehensive operating statement is the employer contributions for members of both defined contribution and defined benefit superannuation plans that are paid or payable in the reporting period. There were no contributions outstanding as at the 30 June 2023 (30 June 2022: \$Nil).

The defined benefit plan(s) provides benefits based on years of service and final average salary. VicForests does not recognise any further defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. Instead, the DTF discloses in its annual financial statements the net defined benefit cost related to the members of these plans as an administered liability (on behalf of the State as the sponsoring employer). Refer to the DTF's annual financial statements for more detailed disclosures in relation to these plans.

**Employee related provisions in the balance sheet**

	2023 \$'000	2022 \$'000
<b>Current provisions</b>		
<b>Employee benefits</b>		
Accrued salaries, unused purchased leave and paid parental leave	668	392
Annual leave		
· unconditional and expected to settle within 12 months	1,053	1,235
· unconditional and expected to settle after 12 months	185	263
Long service leave		
· unconditional and expected to settle within 12 months	256	266
· unconditional and expected to settle after 12 months	2,242	2,334
<b>Total employee benefits</b>	<b>4,404</b>	<b>4,490</b>
<b>Employee benefits on-costs</b>		
· unconditional and expected to settle within 12 months	232	227
· unconditional and expected to settle after 12 months	470	435
<b>Total employee benefits on-costs</b>	<b>702</b>	<b>662</b>
<b>Total current employee benefits and on-costs</b>	<b>5,106</b>	<b>5,152</b>
<b>Non-current provisions</b>		
Employee benefits	510	484
Employee benefits on-costs	98	81
<b>Total non-current employee benefits and on-costs</b>	<b>608</b>	<b>565</b>
<b>Total employee related provisions</b>	<b>5,714</b>	<b>5,717</b>
<b>Reconciliation of movement in on-cost provision</b>		
Opening balance	742	729
Additional provisions recognised	58	13
<b>Closing balance</b>	<b>800</b>	<b>742</b>
<i>Represented by:</i>		
Current	702	661
Non-current	98	81

Provision is made for benefits accruing to employees in respect of salaries, purchased and parental leave, salary increases rendered, annual leave, and long service leave.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. Sick leave is recognised in the comprehensive operating statement as it is taken.

Provisions for accrued salaries, purchased and parental leave, are recognised in the balance sheet at remuneration rates which are current at the reporting date. Provisions for salary increases rendered are recognised at the agreed remuneration rates. These amounts are not discounted, as VicForests does not have an unconditional right to defer settlement of the entitlement, and therefore expects to wholly settle these liabilities within 12 months of reporting date.

In calculating provisions in respect of annual leave and long service leave, VicForests has made a number of assumptions for employee related provisions. These include the likely tenure of existing employees, patterns of leave claims, future salary movements and discount rates that are independently calculated and supplied by the DTF.



- **Annual leave**

Provisions for annual leave are measured at:

- nominal value - if VicForests expects to settle wholly within 12 months; or
- present value - if VicForests does not expect to wholly settle within 12 months.

Any gain or loss following revaluation of the present value of the annual leave provision, is recognised in the 'Net result from transactions after income tax', except to the extent that a gain or loss arises due to change in bond rates for which it is then recognised in the net result as an other economic flow. (See Note 8.1 – Other economic flows included in net result).

Provisions for annual leave, however measured, are recognised in the provision for employee benefits as 'current provisions' because VicForests does not have an unconditional right to defer settlements of these liabilities.

- **Long service leave (LSL)**

Provisions for LSL are measured at:

- nominal value – if VicForests expects to settle wholly within 12 months; or
- present value – if VicForests does not expect to wholly settle within 12 months.

Any gain or loss following revaluation of the present value of the LSL provision is recognised in the 'Net result from transactions after income tax', except to the extent that a gain or loss arises due to change in bond rates for which it is then recognised in the net result as an other economic flow. (See Note 8.1 – Other economic flows included in net result).

Where an employee has completed the pre-requisite number of years of service to be unconditionally entitled to LSL, the unconditional amount, however measured, is disclosed in the notes to the Financial Statements as a current provision, even where VicForests does not expect to settle the liability within 12 months because VicForests does not have the unconditional right to defer the settlement of the entitlement should an employee take LSL within 12 months.

Where an employee has not completed the pre-requisite number of years of service to be unconditionally entitled to LSL, the conditional amount, is disclosed in the notes to the Financial Statements as a non-current provision.

- **On-costs**

On-costs such as superannuation, payroll tax, superannuation and WorkCover insurance levies are recognised separately.

### Note 3.4 Roothing expenses

	2023 \$'000	2022 \$'000
Road maintenance and rehabilitation	6,388	3,745
Timber haulage toll	928	2,651
<b>Total rooothing expenses</b>	<b>7,316</b>	<b>6,396</b>

The DEECA owns the Forest Road Network (FRN) within the Victorian state forests from which VicForests harvests timber. The rooothing expenses relate to the costs incurred to be able to utilise this network for the haulage of timber. This was undertaken by means of an agreement with the DEECA whereby VicForests determines, manages, and funds maintenance of the roads, and occasional and additional works associated with timber haulage on the FRN. Additional works are normally long-term improvements VicForests has made to the DEECA FRN which are recognised as separate assets owned by VicForests (See Note 4.1 - Property, plant and equipment). Roads within the FRN need to be determined by both parties as to if they are a part of the Timber Haulage Network (THN).

The roads comprising the THN are then categorised into two categories; either non-tolled or tolled.

- **Road maintenance and rehabilitation**

In respect of the non-tolled roads VicForests is primarily responsible for the maintenance, occasional and additional works undertaken within the DEECA THN, in order to enable haulage of forest products over the THN. VicForests engages external contractors to undertake these works, with the maintenance costs being expensed as incurred. VicForests also expenses the cost of constructing, maintaining and ultimately rehabilitating temporary access roads specifically constructed for the purpose of connecting roads on the THN to timber harvesting areas. (See Note 5.3 – Other provisions).

- **DEECA Timber haulage toll**

Timber haulage tolls are payable to the DEECA on the tolled roads within the THN. The toll amount is calculated in order to ensure that the DEECA receive sufficient funds to cover the full and true costs of delivering an agreed maintenance program in order to enable VicForests haulage of forest products over these tolled roads.

### Note 3.5 Other operating expenses

	Note	2023 \$'000	2022 \$'000
Customer delivery shortfalls compensation		109,511	7,506
Harvest and haulage contractor stand-down compensation		40,783	6,072
Legal expenses		5,042	10,528
Regeneration expenses		3,160	3,226
Information and communications technology (ICT)		1,788	1,375
Borrowing expenses		1,752	114
Contractors		1,721	2,264
Motor vehicle expenses (including insurance)		1,264	1,051
Facilities		1,063	1,325
Net change in overheads allocated to logs in storage		877	2,211
Insurance – other		483	429
Audit			
Internal and other		217	447
Financial	8.5	95	102
Other operational and administrative expenses		1,896	1,800
<b>Total other operating expenses</b>		<b>169,652</b>	<b>38,450</b>

A significant portion of other operating expenses comprise compensation payments to customers due to customer delivery shortfalls and stand-down compensation payments to harvest and haulage contractors. This is primarily as a result of harvest operations being disrupted by legal proceedings which has meant that minimum contractual obligations to customers and harvest and haulage contractors could not be met (See Note 5.3 – Other provisions).

All other operating expenses generally represent day-to-day running costs incurred in normal operations and are recognised as an expense in the reporting period in which they are incurred.

### Note 3.6 Taxation

VicForests is subject to the National Tax Equivalent Regime (NTER), which is administered by the ATO. In accordance with this legislation, VicForests is required to pay to the Victorian Government Consolidated Fund amounts determined to be equivalent to the amounts that would be payable by VicForests to the Australian Government if it was subject to the *Income Tax Assessment Act 1936* (Cth) and *Income Tax Assessment Act 1997* (Cth).

The income tax expense or benefit for the period is the tax payable or receivable on the current period's taxable income, based on the applicable Australian tax rate of 30% (30 June 2022: 30%), adjusted by changes in deferred tax assets and liabilities, attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses (including research and development offsets).

#### Income tax expense in the comprehensive operating statement

The income tax expense for the financial year differs from the amount calculated on the net result. The differences are reconciled as follows:

#### Components of income tax expense

	Note	2023 \$'000	20221 \$'000
Deferred tax		6,396	(3,465)
<b>Income tax expense/(benefit)</b>		<b>6,396</b>	<b>(3,465)</b>

*Deferred income tax expense included in income tax expense comprises:*

Decrease in deferred tax assets	5.6	6,302	1,543
(Decrease) in deferred tax liability	5.6	(366)	(5,008)
Decrease in physical asset revaluation reserve	5.6	460	–
		<b>6,396</b>	<b>(3,465)</b>

#### Reconciliation of prima facie tax payable to income tax expense

	2023 \$'000	2022 \$'000
Net result from transactions before income tax expense	(37,486)	(32,911)
<b>Income tax (benefit) at tax rate of 30% (2022: 30%)</b>	<b>(11,246)</b>	<b>(9,873)</b>
Add write off deferred tax asset on prior year revenue losses	–	5,039
Add current year revenue losses not recognised	443	4,531
Add current year deferred tax asset on temporary differences not recognised	24,333	–
Add non-deductible expenses for income tax purposes	4	2,272
Add research and development tax offset	–	1,471
Add/(deduct) under/(over) provision of prior year income tax	(2,271)	517
(Deduct) temporary differences on change in plant and equipment tax bases	–	(2)
<b>Income tax expense on net result from transactions</b>	<b>11,263</b>	<b>3,955</b>
Other economic flows included in net result before income tax	(16,225)	(24,733)
<b>Income tax (benefit) at tax rate of 30% (2022: 30%)</b>	<b>(4,867)</b>	<b>(7,420)</b>
<b>Total income tax expense/(benefit)</b>	<b>6,396</b>	<b>(3,465)</b>



## Note 4

# Key assets available to support output delivery

### **Introduction**

VicForests controls productive trees in Victorian Government commercial native forests and property, plant and equipment which are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to VicForests to be utilised for delivery of goods (predominantly forest products) and services.

### **Significant judgement: Fair value measurement**

Where the assets included in this note are carried at fair value, additional information is disclosed in Note 7.3 – Fair value determination in connection with how those fair values were determined.

### **Structure**

This note includes:

- Note 4.1 Property, plant and equipment
- Note 4.2 Biological assets
- Note 4.3 Amortisation and depreciation expenses
- Note 4.4 Impairment

## Note 4.1 Property, plant and equipment

Property, plant and equipment represents non-current physical assets comprising land, buildings, leasehold improvements, roads and bridges, plant and equipment, motor vehicles and assets under construction, used by VicForests in its operations. More specifically:

- A block of land was purchased in October 2021 for purposes of establishing a plantation. A further block of land was leased in May 2022 for the purpose of establishing a seed nursery; this lease has subsequently been terminated.
- Buildings comprise office premises leased from non-Victorian Government entities.
- Leasehold improvements comprise office alterations and fittings in offices leased from the DEECA and non-Victorian Government entities and fittings in a seed processing and storage facility leased from the DEECA.
- Roads and permanent bridges primarily comprise long-term improvements that VicForests has made to the DEECA THN in order to allow improved economics of timber haulage. Also included are access roads that VicForests has constructed from the THN to timber harvesting areas. (Given that the Victorian forestry transition program has been brought forward, roads and bridges have been subject to a fair value adjustment (See Note 7.3 – Fair value determination)).
- Plant and equipment comprise communications equipment, computers, furniture, office equipment, scientific equipment and other tools, and portable bailey bridges.
- Motor vehicles comprises vehicles leased from a non-Victorian Government entity.

### Recognition and measurement of property, plant and equipment

Items of property, plant and equipment, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Items with a cost or value in excess of \$1,000 (30 June 2022: \$1,000) (capitalisation threshold) and a useful life of more than 1 year are recognised as assets. All items with a cost or value less than \$1,000 are expensed as acquired. Where an asset is acquired for nominal cost, the cost is its fair value at the date of acquisition. Cost includes all expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to VicForests and the cost of the item can be measured reliably. All other subsequent costs are expensed as incurred.

Routine maintenance, repair costs and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset, the repair will provide future economic benefit, the cost can be measured reliably, and the cost exceeds the capitalisation threshold, the cost is capitalised and depreciated over the remaining life of the asset.

## Gross and net carrying amounts of property, plant and equipment

	Land at fair value		Buildings at fair value		Leasehold improvements at fair value		Roads and bridges at fair value		Plant and equipment at fair value		Motor vehicles at fair value		Assets under construction at cost		Total property, plant and equipment	
\$'000	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Gross carrying amount	472	829	1,694	1,600	1,386	1,391	-	3,164	2,434	2,411	2,412	2,297	-	7	8,398	11,699
Accumulated depreciation	-	(4)	(750)	(196)	(889)	(1,329)	-	(441)	(1,853)	(1,855)	(1,269)	(975)	-	-	(4,761)	(4,800)
<b>Net carrying amount</b>	<b>472</b>	<b>825</b>	<b>944</b>	<b>1,404</b>	<b>497</b>	<b>62</b>	<b>-</b>	<b>2,723</b>	<b>581</b>	<b>556</b>	<b>1,143</b>	<b>1,322</b>	<b>-</b>	<b>7</b>	<b>3,637</b>	<b>6,899</b>

## Reconciliation of carrying amounts of property, plant and equipment

	Land at fair value		Buildings at fair value		Leasehold improvements at fair value		Roads and bridges at fair value		Plant and equipment at fair value		Motor vehicles at fair value		Assets under construction at cost		Total property, plant and equipment	
\$'000	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance	825	-	1,404	75	62	108	2,723	3,140	556	593	1,322	925	7	-	6,899	4,841
Additions	-	829	94	1,600	485	-	-	24	247	192	739	772	-	7	1,565	3,424
Lease modifications	-	-	-	-	-	-	-	-	-	-	-	547	-	-	-	547
Transfer in/(out) of assets under construction	-	-	-	-	7	-	-	-	-	-	-	-	(7)	-	-	-
Disposals	(323)	-	-	-	(27)	-	-	-	(9)	(3)	-	-	-	-	(359)	(3)
Revaluation <sup>(a)</sup>	-	-	-	-	-	-	(2,279)	-	-	-	-	-	-	-	(2,279)	-
Depreciation	(30)	(4)	(554)	(271)	(30)	(46)	(444)	(441)	(213)	(226)	(918)	(922)	-	-	(2,189)	(1,910)
<b>Closing balance</b>	<b>472</b>	<b>825</b>	<b>944</b>	<b>1,404</b>	<b>497</b>	<b>62</b>	<b>-</b>	<b>2,723</b>	<b>581</b>	<b>556</b>	<b>1,143</b>	<b>1,322</b>	<b>-</b>	<b>7</b>	<b>3,637</b>	<b>6,899</b>

Note:

(a) See Note 73 – Fair value determination.

### Right-of-use assets and leases

VicForests leases land, buildings, plant and equipment and motor vehicles, which are included under their relevant categories, as above. The lease contracts are typically made for fixed periods of 1-5 years with an option to renew the lease after that date. Lease payments for buildings are typically renegotiated every five years to reflect market rentals.

VicForests has elected to not recognise right-of-use assets and lease liabilities for leases the contract terms are 1 year or less, or the lease is of low value (less than \$10,000).

### Total right-of-use assets: Land, buildings, plant and equipment and motor vehicles

The following tables are subsets of land, buildings, plant and equipment and motor vehicles for right-of-use assets.

Gross carrying amount	Land		Buildings		Plant and Equipment		Motor Vehicle		Total	
\$'000	2023 <sup>(a)</sup>	2022	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance	357	–	1,600	643	8	8	2,297	2,019	4,262	2,670
Additions	–	357	94	1,600	–	–	739	772	833	2,729
Lease modifications (terminated/disposed)	(357)	–	–	(643)	(8)	–	(624)	(494)	(989)	(1,137)
Closing balance	–	357	1,694	1,600	–	8	2,412	2,297	4,106	4,262

### Accumulated Depreciation

\$'000	2023 <sup>(a)</sup>	2022	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance	(4)	–	(196)	(568)	(7)	(5)	(975)	(1,094)	(1,182)	(1,667)
Depreciation during the year	–	(4)	(554)	(271)	–	(2)	(918)	(922)	(1,472)	(1,199)
Lease modification (terminated/disposed)	4	–	–	643	7	–	624	1,041	635	1,684
Closing balance	–	(4)	(750)	(196)	–	(7)	(1,269)	(975)	(2,019)	(1,182)
Net carrying amount	–	353	944	1,404	–	1	1,143	1,322	2,087	3,080

Note:

(a) This lease terminated early effective 28 June 2023.

### Right-of-use asset acquired by lessees – Initial measurement

VicForests recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentive received; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.



### Right-of-use asset – Subsequent measurement

The right-of-use asset is subsequently depreciated using the straight-line method from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The table below describes the nature of VicForests' leasing activities by type of right-of-use asset recognised on the balance sheet.

2023 Right-of-use asset	No. of assets leased	Range of remaining term	No. of leases with renewal options	No. of leases with termination options
Land <sup>(a)</sup>	0	0 years	0	0
Buildings	5	0.08 to 3.72 years	5	5
Plant and equipment	0	0 years	0	0
Motor vehicles	81	0.02 to 3.63 years	81	81

Note:

(a) This lease terminated early effective 28 June 2023.

2022 Right-of-use asset	No. of assets leased	Range of remaining term	No. of leases with renewal options	No. of leases with termination options
Land	1	9.8 years	1	1
Buildings	4	0.08 to 4.72 years	4	4
Plant and equipment	1	0.28 years	1	1
Motor vehicles	85	0.02 to 3.90 years	85	85

## Note 4.2 Biological assets

### Reconciliation of movements in carrying amounts of biological assets

	20232 \$'000	2022 \$'000
<b>Native timber</b>		
Carrying amount at beginning of period	14,700	40,388
Decrease due to harvest amortisation	(1,800)	(8,000)
Decrease due to fair value adjustment	(12,900)	(17,688)
Carrying amount at end of period	–	14,700
<b>Plantation timber at cost</b>		
Carrying amount at beginning of period	1,584	1,203
Increase due to capitalisation of expenditure	78	381
Carrying amount at end of period	1,662	1,584
<b>Total carrying amount at end of period</b>	<b>1,662</b>	<b>16,284</b>
Biological assets measured at fair value	–	14,700
Biological assets measured at cost	1,662	1,584
<b>Total biological assets</b>	<b>1,662</b>	<b>16,284</b>
<i>Represented by:</i>		
Current	–	1,800
Non-current	1,662	14,484

Biological assets are measured at fair value less costs to sell, with any changes recognised in the comprehensive operating statement – 'other economic flows'. Costs to sell include all costs that would be necessary to sell the assets, including haulage and direct selling costs (See Note 7.3 – Fair value Determination)

The biological assets are comprised of 2 assets. Productive trees in Victorian Government commercial native forests, vested to VicForests through an Allocation Order pursuant to the *Sustainable Forests (Timber) Act 2004*, are recognised as native timber, and separately VicForests is developing plantation timber.

The native timber component comprises the estimated standing timber available for sustainable harvest in the next year (30 June 2022: 8 years). The period changed from 8 years to 0.5 years in the year ended 30 June 2023 as a result of a change in Victorian Government policy, whereby the previously announced policy of ceasing native timber harvesting in state forests during 2030 was brought forward to 1 January 2024.

The standing timber was previously independently valued at each reporting date and is measured at fair value less costs to sell in accordance with the requirements of AASB 13 *Fair Value Measurement*. Given harvesting is currently suspended as a result of legal action, and the earlier cessation announcement, the native timber has been revalued to \$Nil in the current reporting period (See Note 7.3 – Fair value determination).

The plantation timber component comprises the costs incurred to date in establishing plantation timber, excluding the cost of any land. The plantation timber is not subject to revaluation under AASB 13 *Fair Value Measurement* until such time as the timber is available for sale. Given no plantation timber will be available for harvest in the next reporting period, all plantation timber is classified as a non-current biological asset.

### Note 4.3 Amortisation and depreciation expenses

#### Amortisation and depreciation expenses schedule

	2023 \$'000	2022 \$'000
<b>Amortisation</b>		
Biological assets	1,800	8,000
Intangible assets	91	14
<b>Total amortisation expense</b>	<b>1,891</b>	<b>8,014</b>
<b>Depreciation</b>		
Land	30	4
Buildings	554	271
Leasehold improvements	30	46
Road and bridges	444	441
Plant and equipment	213	226
Motor vehicles	918	922
<b>Total depreciation expenses</b>	<b>2,189</b>	<b>1,910</b>
<b>Total amortisation and depreciation expenses</b>	<b>4,080</b>	<b>9,924</b>

#### Amortisation of biological assets

The current value of the native timber held at the prior reporting date, is fully amortised in the current reporting period.

### Amortisation of intangible assets

All intangible assets that have finite useful lives are amortised using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, commencing from the time the asset is held ready for use.

### Depreciation

Depreciation is calculated using the straight-line method to allocate the asset's cost or revalued amount, net of their residual value, over their estimated useful life (or in the case of leasehold improvements, the lease term if shorter), commencing from the time the asset is held ready for use, that is, when it is in the location and in a suitable condition for it to be capable of being operated in the manner intended by management.

Where assets have separately identifiable components, those components are assigned useful lives distinct from the item of plant and equipment to which they relate and depreciated accordingly.

All property, plant and equipment are depreciated as an expense from transactions on a straight-line basis, less any estimated residual value, over their estimated useful lives. Leasehold improvements and right-of-use assets are depreciated over the shorter of the lease term and their useful lives.

Depreciation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, and adjustments are made when appropriate. The estimated useful lives for the different asset classes for the current and prior year are included in the table below.

<b>Asset Class</b>	<b>Useful Life</b>
Land <sup>(a)</sup>	Term of lease: 10 years
Buildings	Term of leases: 1–5 years
Leasehold improvements	Term of leases: 1–5 years
Roads and permanent bridges	5–9 years
Plant and equipment	3–20 years
Motor vehicles	Term of leases: 3–4 years

*Note:*

(a) *This lease terminated early effective 28 June 2023.*

## **Note 4.4 Impairment**

As per AASB 136 *Impairment of Assets*, VicForests assesses impairment of property, plant and equipment and intangible assets at each reporting date by evaluating conditions specific to VicForests and to the particular asset that may lead to impairment. These include judgements in relation to obsolescence or physical damage, technology, economic and political environments and future income expectations. If an impairment trigger exists, the recoverable amount of the asset is determined.

At 30 June 2023 no impairment was identified for property, plant and equipment and intangible assets (30 June 2022: \$Nil).

## Note 5

# Other assets and liabilities

### Introduction

This section details other assets and contract liabilities that arose from VicForests' operations.

### Structure

This section includes:

- Note 5.1 Receivables
- Note 5.2 Payables
- Note 5.3 Other provisions
- Note 5.4 Inventories
- Note 5.5 Dividend payable
- Note 5.6 Taxation
- Note 5.7 Contract liabilities

### Note 5.1 Receivables

	Note	2023 \$'000	2022 \$'000
<b>Contractual receivables</b>			
Trade receivables		1,419	7,665
Victorian Government entities – Contractor stand-down and customer delivery shortfall compensation		61,943	6,173
Victorian Government entities – Other		1,785	3,158
<b>Subtotal – Victorian Government entities</b>	<b>8.4</b>	<b>63,728</b>	<b>9,331</b>
<b>Subtotal – Contractual receivables</b>		<b>65,147</b>	<b>16,996</b>
Provision for loss allowance on contractual receivables		–	(6,173)
<b>Net contractual receivables</b>		<b>65,147</b>	<b>10,823</b>
<b>Statutory receivables</b>			
Receivables due from the ATO		333	137
<b>Net statutory receivables</b>		<b>333</b>	<b>137</b>
<b>Total receivables</b>		<b>65,480</b>	<b>10,960</b>
<i>Represented by:</i>			
Current		65,480	10,960

Receivables comprise contractual receivables and statutory receivables.

**Contractual receivables** comprise:

- Trade receivables originating from the sale of forest products and other goods and services including penalty interest where applicable, which were billed and unpaid at reporting date.
- Receivables due from Victorian Government entities primarily arise from government reimbursement of customer delivery shortfalls compensation and harvest and haulage contractor stand-down expenses that VicForests has incurred. A significant portion of the receivable was not billed at reporting date but accrued based on the provision raised by VicForests in relation to customer delivery shortfalls compensation. DEECA will reimburse VicForests as these expenses are quantified and become payable (See Note 5.2 – Payables and Note 5.3 – Other provisions).

Contractual receivables are recognised initially at fair value of the consideration received or receivable and subsequently measured at amortised cost, less an allowance for impaired receivables.

A range of trading terms are in place but do not normally exceed thirty days from date of invoice rendered. Special trading terms have been granted to selected customers in line with VicForests' Customer Credit Policy. VicForests trading terms allow for interest to be charged on unpaid amounts that are not settled within normal trading terms. The interest rate is the current rate prescribed as per the *Penalty Interest Rate Act 1983* or otherwise agreed. No interest is receivable on amounts due from Victorian Government entities.

Contractual receivables are classified as financial instruments as they arise from a contract (See Note 7.1 - Financial instruments specific disclosures). The carrying value of contractual receivables is equal to the fair value due to the short-term maturities of these instruments. Details about VicForests impairment policies, VicForests' exposure to credit risk and the calculation of the loss allowance are set out in Note 7.1 - Financial instruments specific disclosures.

Statutory receivables comprise of FBT, Fuel Tax Credits, and GST refundable from the ATO. These are not classified as financial instruments as they do not arise from a contract.

## Note 5.2 Payables

	Note	2023 \$'000	2022 \$'000
<b>Contractual</b>			
Customer delivery shortfalls compensation and harvest and haulage contractors compensation		20,876	7,193
Trade and other payables		8,533	6,534
Victorian Government entities	8.4	1,417	1,027
<b>Total contractual payables</b>		<b>30,826</b>	<b>14,754</b>
<b>Statutory</b>			
Payables due to the ATO		257	68
Payroll tax payable to the SRO	8.4	122	87
<b>Total statutory payables</b>		<b>379</b>	<b>155</b>
<b>Total payables</b>		<b>31,205</b>	<b>14,909</b>
<i>Represented by:</i>			
Current		31,205	14,909

Due to their short-term nature, payables are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Payables consist of contractual payables and statutory payables.

**Contractual payables** comprise:

- Outstanding compensation claims payable to both customers and harvest and haulage contractors due to VicForests failure to meet contractual volume obligations; and;
- Trade and other payables originating from the purchase of goods and services which were billed and unpaid at reporting date.

The above figures include accrued payables whereby the goods or services have been received or obligation incurred as at reporting date, but not yet billed.



No interest is generally paid on contractual payables. However, interest may be payable at varying rates per annum if credit terms are exceeded. No interest is payable on amounts due to Victorian Government entities for purchase of supplies and services.

Contractual payables are classified as financial instruments (See Note 7.1 - Financial instruments specific disclosures), (including the maturity analysis of contractual payables).

**Statutory payables** comprise of FBT, GST payable and PAYG withholding tax payable to the ATO, and payroll tax payable to the Victorian State Revenue Office (SRO). Statutory payables are not classified as financial instruments as they do not arise from a contract.

### Note 5.3 Other provisions

	2023 \$'000	2022 \$'000
Provision for customer delivery shortfalls compensation	35,988	2,142
Provision for road rehabilitation	5,110	–
Provision for regeneration	4,280	3,129
Provision for settlement of legal costs	990	1,500
<b>Total other provisions</b>	<b>46,368</b>	<b>6,771</b>
<i>Represented by:</i>		
Current	42,074	5,975
Non-current	4,294	796

#### Significant judgements

Other provisions are recognised when VicForests has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, considering the risks and uncertainties surrounding the obligation.

As such, a number of assumptions are required whereby a change in anyone of the assumptions may materially effect the overall provisions in respect of amounts or timing. Further detail is provided below, in respect of the assumptions used for each provision.

#### Provision for customer delivery shortfalls compensation

During the reporting period, VicForests was involved in a number of legal proceedings before the Courts which caused significant disruptions to its operations, meaning VicForests could not deliver minimum contractual timber volumes to customers as stipulated in their respective Timber Sales Agreements (TSA's). As a consequence, VicForests is contractually bound to provide compensation payments to customers.

Whilst some compensation payments were paid in full, and others in part, during the reporting period, some compensation amounts are still to be agreed upon for the reporting period(s) to 30 June 2023. In accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, in order to recognise this obligation, a provision has been created based on the compensation clauses where stipulated in each respective TSA. However as some TSA's did not contemplate such a degree of volume shortfall, some of the provision is based on VicForests best estimate of the amounts required to settle outstanding claims. It is expected that these claims will be settled in the next reporting period, post negotiation with each customer so the customer compensation provision has been categorised as current. (See table above).

VicForests is also likely to be subject to further customer compensation claims for delivery shortfalls arising in future reporting periods. Consistent with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, no provision has yet been recognised for these future expenses.

For the same reasons as outlined above in respect of customers, VicForests was also unable to provide minimum contractual volumes of timber for harvest and haulage contractors as stipulated in their respective harvest and haulage contracts. As a consequence, VicForests is contractually bound to provide compensation payments to these contractors.

During the reporting period, binding Deeds of Amendment were entered into with the majority of the harvest and haulage contractors, which stipulate a compensation mechanism as the original contracts did not contemplate such a degree of volume shortfall. In respect of the remaining haulage and haulage contractors, a non-binding agreement was reached in respect of their compensation. Compensation payments to all harvest and haulage contractors are being paid on a monthly basis in line with these agreements. Therefore at reporting date no further provisions were required in respect of harvest and haulage contractor compensation.

VicForests is also subject to further harvest and haulage contractor compensation claims for delivery shortfalls arising in the next reporting period. Consistent with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, no provision has yet been recognised for these future expenses. Also see Note 6.3 – Commitments for expenditure.

### **Provision for road rehabilitation**

At the conclusion of harvesting, VicForests is obligated under the requirements of the *Sustainable Forests (Timber) Act 2004* to rehabilitate temporary access roads specifically constructed for the purpose of connecting roads on the THN to timber harvesting areas, so that forest regeneration can occur. In order to recognise this obligation, a provision is created based on all the current areas of forest roads previously built that are still to be rehabilitated at reporting date, in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

These areas are multiplied out at the expected cost per hectare of the remaining works required to determine the amount of the provision required. Further, the expected employee costs and other overheads involved to facilitate the remaining rehabilitation works are also factored into the provision.

### **Significant judgements relating to the amount or timing in relation to the road rehabilitation provision**

The provision for road rehabilitation is dependent on a number of assumptions, the major ones including:

- The ability of VicForests to be able to undertake these works, without further Court injunctions restricting access, particularly having regard to the precautionary principal in that no serious or irreversible environmental damage should be incurred whilst undertaking these works,
- Seasonal weather conditions are consistent with long-term averages - weather conditions impact ability to perform road rehabilitation.
- Suitably qualified contractors being available to undertake these works, at costs in line with the underlying assumptions.

A change in any one of the assumptions may materially affect the overall rehabilitation provision.

Due to the span of impacted forest areas not all remaining works can be undertaken within 12 months, so the provision is divided between current and non-current (See table above).

### **Provision for regeneration**

At the conclusion of harvesting, VicForests is obligated to regenerate the areas harvested under the requirements of the *Sustainable Forests (Timber) Act 2004*. In order to recognise this obligation, a provision is created based on all the current areas of forest for which regeneration works are still to be completed at reporting date, in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

These areas are multiplied out at the expected cost per hectare of the remaining works required to determine the amount of the provision required. Further, the expected employee costs and other overheads involved to facilitate the remaining rehabilitation works are also factored into the provision.

### Significant judgements relating to the amount or timing in relation to the provision of regeneration

The provision for regeneration is dependent on a number of assumptions, the major ones including:

- The ability of VicForests to be able to undertake these works, without further Court injunctions restricting access, particularly having regard to the precautionary principal in that no serious or irreversible environmental damage should be incurred whilst undertaking these works,
- Seasonal weather conditions are consistent with long-term averages - weather conditions impact ability to perform regeneration, and the success of some regeneration activity.
- Suitably qualified contractors being available to undertake these works, at costs in line with the underlying assumptions.
- The need to re-treat regenerated areas in any one year due to seed failure or other events is consistent with long-term averages of 5-6%.

An estimate for restocking is built into the cost estimates to allow for remedial works where a crop does not successfully regenerate to the required standard

A change in any one of the assumptions may materially affect the overall rehabilitation provision.

Due to the timing of the regeneration cycle not all remaining works can be undertaken within 12 months, so the provision is divided between current and non-current. (Refer table above).

A change in any one of the assumptions may materially affect the overall regeneration provision.

### Provision for settlement of legal costs

During the reporting period, VicForests was involved in a number of legal proceedings before the Courts. In some cases costs were awarded against VicForests. However in some cases, the Courts are still to determine the amount of costs payable. In order to recognise this obligation, a provision has been created based on VicForests best estimate of the costs, in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. It is expected that these costs will be settled in the next reporting period.

### Reconciliation of movements in carrying amounts of other provisions

	2023 \$'000	2022 \$'000
<b>Balance at beginning of year</b>	<b>6,771</b>	<b>1,883</b>
Reductions arising from payments/other sacrifices of future economic benefits	(3,222)	(1,360)
Reductions resulting from remeasurement or settlement without cost	(3,636)	(860)
Additional other provisions recognised	46,455	7,108
<b>Net movement</b>	<b>39,597</b>	<b>4,888</b>
<b>Balance at end of year</b>	<b>46,368</b>	<b>6,771</b>

## Note 5.4 Inventories

	2023 \$'000	2022 \$'000
<b>Supplies and consumables</b>		
Seed – at net realisable value	2,350	4,923
Roading materials – at net realisable value	148	170
Regeneration materials – at cost	28	43
<b>Inventories held for sale</b>		
Logs in storage facilities – at net realisable value	–	1,366
<b>Total inventories</b>	<b>2,526</b>	<b>6,502</b>
<i>Represented by:</i>		
Current	2,526	6,502

VicForests collects and holds seed in order to subsequently regenerate harvested areas, or where surplus seed varieties are available, for sale to DEECA. The seed inventory was previously valued at cost assigned to seed stock quantities on hand at reporting date on a weighted average cost basis. The cost calculation is based on direct labour and materials used in the seed collection and extraction processes. Following the announcement of the early cessation of native timber harvesting, VicForests has critically reviewed its future seed requirements against seed on hand. Any seed varieties that has been deemed surplus to VicForests future regeneration requirements, or are unlikely to be required by DEECA has been written down in value in the current reporting period.

Roading materials in inventory comprise culvert pipes and crushed gravel that have been purchased and stockpiled for use in the construction and maintenance of forest roads, to facilitate the harvest and haulage of standing timber. These materials have previously all been valued on a weighted average cost basis. However in the current reporting period the value of the gravel has been written down to its estimated net realisable value, based on the estimated sale price.

Regeneration materials in inventory comprise materials that have been purchased and stockpiled for use in the regeneration of previously harvested areas. These materials have been valued on a weighted average cost basis.

Inventories held for sale comprise log stocks stored in storage facilities, harvested for future sale. Due to legal proceedings against harvesting in the current reporting period, no logs were in storage at the current reporting date. Previously these logs were valued at the lower of cost or net realisable value (NRV) in accordance with well-established industry practice as allowed for by AASB 102 *Inventories*. Cost comprises the harvesting and haulage costs incurred to date, plus an allocation of management overheads incurred in getting the logs to the storage facilities. The NRV is based on the sales price for the particular destination for the product, less the remaining haulage expense.

### Note 5.5 Dividend payable

VicForests pays dividends in accordance with a determination of the Treasurer of Victoria under the *State-Owned Enterprises Act 1992*. The obligation to pay a dividend arises after consultation between the VicForests' Board of Directors, the Minister for Agriculture and the Treasurer. Following this consultation process, the Treasurer makes a formal determination. Dividends declared on or before reporting date but unpaid as at reporting date are recognised as a liability.

At 30 June 2023, the Treasurer, in consultation with the Minister for Agriculture, has made no determination in relation to a dividend payable for the year ending 30 June 2023 (30 June 2022: \$Nil).

### Note 5.6 Taxation

VicForests is subject to the National Tax Equivalent Regime (NTER), which is administered by the ATO. In accordance with this legislation, VicForests is required to pay to the Victorian Government Consolidated Fund amounts determined to be equivalent to the amounts that would be payable by VicForests to the Australian Government if it was subject to the *Income Tax Assessment Act 1936* (Cth) and *Income Tax Assessment Act 1997* (Cth).

\$Nil income tax payments/(receipts) have been made/(received) during the year ended 30 June 2023 (2022: \$Nil).

#### Tax assets and liabilities in the balance sheet

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 which are enacted or substantially enacted. The relevant tax rates (30 June 2023: 30%, 30 June 2022: 30%) are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax assets or liabilities.



**Deferred tax asset**

	Note	2023 \$'000	2022 \$'000
<b>Movement in amounts recognised in comprehensive operating statement</b>			
Biological timber asset		1,665	7,614
Customer claims provision		(2,532)	2,142
Lease liabilities		(3,057)	2,044
Legal fees – timing differences current year		(1,529)	–
Employee benefits		(5,325)	307
Over/(under) provision of prior year income tax – legal fees prior year		6,056	(1,722)
Other		(60)	–
Write off research and development tax offsets carried forward		–	(4,903)
Write off tax losses carried forward		–	(16,796)
<b>Subtotal</b>		<b>(4,782)</b>	<b>(11,314)</b>
Multiply by 30% tax rate		(1,435)	(3,395)
<b>Movements in amounts recognised in other economic flows</b>		<b>(16,225)</b>	<b>6,173</b>
Multiply by 30% tax rate	3.6	(4,867)	1,852
<b>Total deferred tax asset movement</b>		<b>(6,302)</b>	<b>(1,543)</b>
<b>Movements during the year</b>			
<b>Balance at beginning of year</b>		<b>7,427</b>	<b>8,970</b>
(Credited)/debited to the net result from continuing operations		(3,252)	3,632
Over/(Under) provision of prior year income tax		1,817	(517)
Write off research and development tax offsets carried forward		–	(1,471)
Write off prior year revenue losses		–	(5,039)
Subtotal – movement recognised in net result from continuing operations		(1,435)	(3,395)
Recognised in other economic flows		(4,867)	1,852
<b>Net movement</b>	<b>3.6</b>	<b>(6,302)</b>	<b>(1,543)</b>
<b>Balance at end of year</b>		<b>1,125</b>	<b>7,427</b>
<b>The balance comprises temporary differences attributable to:</b>			
Biological timber assets		–	2,283
Doubtful debts		–	1,852
Employee benefits		–	1,598
Lease liabilities		–	917
Provision – customer claims		–	760
Other accrued expenses (including audit fees)		–	17
Other		626	–
Inventories		499	–
<b>Balance at end of year</b>		<b>1,125</b>	<b>7,427</b>

A deferred tax asset is recognised only if it is probable that future taxable amounts will be available to utilise these temporary differences and losses. Current and deferred tax is recognised in the comprehensive operating statement.

<b>Deferred tax liability</b>		<b>2023</b>	<b>2022</b>
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Movements during the year</b>			
<b>Balance at beginning of year</b>		<b>(1,491)</b>	<b>(6,499)</b>
Biological assets		(24)	5,630
Other depreciating assets		(70)	(622)
<b>Subtotal – movement included in income tax expense</b>		<b>(1,585)</b>	<b>(1,491)</b>
Movement included in physical asset revaluation reserve	3.6	460	–
<b>Net movement</b>	<b>3.6</b>	<b>366</b>	<b>5,008</b>
<b>Balance at end of year</b>		<b>(1,491)</b>	<b>(6,499)</b>
The balance comprises temporary differences attributable to:			
Biological assets		(500)	(476)
Other depreciating assets		(625)	(1,015)
<b>Balance at end of year</b>		<b>(1,125)</b>	<b>(1,491)</b>

**Net tax asset**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
The balance comprises:		
Deferred tax asset	1,125	7,427
<b>Total tax assets</b>	<b>1,125</b>	<b>7,427</b>
Deferred tax liability	(1,125)	(1,491)
<b>Total tax liabilities</b>	<b>(1,125)</b>	<b>(1,491)</b>
<b>Net tax asset<sup>(a)</sup></b>	<b>–</b>	<b>5,936</b>

Note:

(a) In 2023, a deferred tax asset has only been recognised up to the equivalent deferred tax liability balance. This is because a deferred tax asset is only recognised if it is probable that future tax amounts will be available to utilise this temporary differences.

**Note 5.7 Contract liabilities****Deferred Victorian Government Grants**

		<b>Farm forestry</b>		<b>Nursery</b>		<b>Total</b>	
<b>\$'000</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Opening balance</b>		<b>4,202</b>	<b>4,679</b>	<b>1,213</b>	<b>720</b>	<b>5,415</b>	<b>5,399</b>
Grant received		–	–	–	800	–	800
Recognised as income under AASB 15		(554)	(477)	(199)	(307)	(753)	(784)
<b>Subtotal</b>	<b>8.4</b>	<b>3,648</b>	<b>4,202</b>	<b>1,014</b>	<b>1,213</b>	<b>4,662</b>	<b>5,415</b>
<b>Other deferred liabilities</b>						<b>446</b>	<b>216</b>
<b>Closing balance</b>		<b>3,648</b>	<b>4,202</b>	<b>1,014</b>	<b>1,213</b>	<b>5,108</b>	<b>5,631</b>
<i>Represented by:</i>							
Current						5,014	5,631
Non-current						94	–

VicForests has received Victorian Government Grants to undertake various activities including the establishment of a Farm Forestry program, and construction of a Seedling Nursery. Income is recognised progressively as VicForests satisfies the performance obligation outlined in the agreements. As the funding payments are normally received in advance of the relevant obligation being satisfied, the balance of the funds is recognised as a contract liability.

## Note 6

# Financing our operations

### Introduction

This section provides information on the sources of finance utilised by VicForests for its operations, along with interest expenses (the cost of borrowings) and other information related to financing the activities of VicForests.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Also see Note 7.1 – Financial instruments specific disclosures.

### Structure

This section includes:

- Note 6.1 Borrowings
- Note 6.2 Cash flow information and cash balances
- Note 6.3 Commitments for expenditure
- Note 6.4 Equity

## Note 6.1 Borrowings

	Note	2023 \$'000	2022 \$'000
Loan facility – Treasury Corporation of Victoria (TCV)	8.4	52,700	19,940
Lease liabilities		2,069	3,057
<b>Total borrowings</b>		<b>54,769</b>	<b>22,997</b>
<i>Represented by:</i>			
Current		53,877	21,311
Non-current		892	1,686

Borrowings are classified as financial instruments and are initially recognised at fair value, net of transaction costs incurred. Borrowings refer to interest bearing liabilities raised through an at-call floating rate borrowing facility with the TCV, and lease liabilities. Outstanding borrowings are recorded at amortised cost using the effective interest method. The lease liabilities are associated with the right-of-use assets that are recognised under AASB 16 *Leases*.

For maturity analysis of borrowings and the interest rate risk on borrowings, see Note 7.1 - Financial instruments specific disclosures.

### **Defaults and breaches**

During the current financial year, there were no defaults and breaches of any of the borrowings (30 June 2022: \$Nil).

### Financing facilities

VicForests, with the exception of a working capital account and two prepaid grant accounts held with an Australian bank, is required to invest and borrow exclusively with the TCV as per the Victorian Government Centralised Treasury and Investment Policy. The amounts of financial accommodation that VicForests is able to obtain from the TCV is approved by the Treasurer of Victoria pursuant to the *Borrowing and Investment Powers Act 1987*. VicForests is unable to exceed the approval limits set by the Treasurer of Victoria.

	2023 \$'000	2022 \$'000
<b>Unsecured loan facility with the TCV, reviewed annually and payable at call</b>		
Principal drawn	52,700	19,940
Interest accrued	170	11
Amount unused	47,130	10,049
<b>Total facility</b>	<b>100,000</b>	<b>30,000</b>

The 2023 facility expired on 31 August 2023. The Treasurer has since approved a new facility for \$100 million to 30 June 2024 (See Note 8.7 – Subsequent events).

### Note 6.2 Cash flow information and cash balances

Cash at bank comprises cash held at an Australian bank. The carrying value of cash is equal to the fair value due to its short-term maturity. For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as current borrowings on the balance sheet, as indicated in the reconciliation below.

	2023 \$'000	2022 \$'000
Cash and deposits – working capital	65	91
Cash and deposits – Farm forestry grant <sup>(a)</sup>	3,709	4,264
Cash and deposits – Nursery establishment grant <sup>(a)</sup>	1,025	1,265
<b>Cash and deposits balance as per balance sheet</b>	<b>4,799</b>	<b>5,620</b>
<b>Cash and deposits balance as per cash flow statement</b>	<b>4,799</b>	<b>5,620</b>

Note:

(a) As per the terms of these grants, these funds are quarantined in separate bank accounts until expenditure on these programs is incurred.

For credit quality and the interest rate risk on cash and deposits, see Note 7.1 – Financial instruments specific disclosures.

**Reconciliation of net result from continuing operations after income tax for the year to net cash flows from operating activities**

	2023 \$'000	2022 \$'000
<b>Net result from continuing operations after income tax for the year</b>	<b>(60,107)</b>	<b>(54,179)</b>
<b>Non-cash movements:</b>		
Depreciation and amortisation	4,080	9,924
Loss on revaluation of biological assets	12,900	17,688
Provision for (gain)/loss allowance on contractual receivables	(6,173)	6,173
Write-down to NRV of inventories	2,679	1,139
Loss on revaluation of roading assets	1,209	–
Loss on disposal of non-financial assets	35	1
(Gain) on revaluation of leave provisions	(147)	(268)
<b>(Increase)/decrease in assets:</b>		
Receivables	(48,348)	(1,595)
Inventories	1,297	4,826
Tax assets	6,302	1,543
Other non-financial assets	(12)	263
<b>Increase/(decrease) in liabilities:</b>		
Payables	16,362	3,090
Employee related provisions	144	558
Other provisions	39,597	4,888
Tax liabilities	(366)	(5,008)
Contract liabilities	(523)	31
<b>Net cash flows from operating activities</b>	<b>(31,071)</b>	<b>(10,926)</b>



### Note 6.3 Commitments for expenditure

Future commitments include operating and capital commitments arising from non-cancellable contracts. These commitments are disclosed at their nominal value and are inclusive of GST payable. These future commitments cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

	Less than 1 year	1 to 5 years	Total
2023 Nominal amounts	\$'000	\$'000	\$'000
<b>Production expense commitments</b>			
Harvest and haulage services	55,560	–	55,560
Other production expense commitments	3	–	3
<b>Total Production expense commitments</b>	<b>55,563</b>	<b>–</b>	<b>55,563</b>
Other commitment for expenditure	2,223	702	2,925
<b>Total commitments payable (inclusive of GST)</b>	<b>57,786</b>	<b>702</b>	<b>58,488</b>
Less GST recoverable from the ATO	(5,253)	(64)	(5,317)
<b>Total commitments payable (exclusive of GST)</b>	<b>52,533</b>	<b>638</b>	<b>53,171</b>

	Less than 1 year	1 to 5 years	Total
2022 Nominal amounts	\$'000	\$'000	\$'000
<b>Production expense commitments</b>			
Harvest and haulage services	63,148	54,789	117,937
Other production expense commitments	125	–	125
<b>Total Production expense commitments</b>	<b>63,273</b>	<b>54,789</b>	<b>118,062</b>
Other commitment for expenditure	623	316	939
<b>Total commitments payable (inclusive of GST)</b>	<b>63,896</b>	<b>55,105</b>	<b>119,001</b>
Less GST recoverable from the ATO	(5,809)	(5,009)	(10,818)
<b>Total commitments payable (exclusive of GST)</b>	<b>58,087</b>	<b>50,096</b>	<b>108,183</b>

## Note 6.4 Equity

### Contributions by owners

Contributed capital represents the Victorian Government's investment in VicForests. Consistent with applicable AAS and the *Financial Management Act 1994*, transfers and appropriation for additions of net assets between VicForests and the State designated as contributed capital, are recognised as capital transactions.

### Physical asset revaluation reserve

	2023 \$'000	2022 \$'000
<b>Roads and bridges</b>		
<b>Balance at beginning of year</b>	<b>2,282</b>	<b>2,282</b>
Decrement upon revaluation	(1,528)	–
Income tax benefit on revaluation decrement	458	–
<b>Net movement</b>	<b>(1,070)</b>	<b>–</b>
<b>Balance at end of year</b>	<b>1,212</b>	<b>2,282</b>

### Revaluations

Revaluation increments or decrements arise from differences between an asset's carrying value and fair value. Revaluation increments are credited directly to equity in the physical asset revaluation reserve, net of applicable tax, except that, to the extent that an increment reverses a revaluation decrement in respect of the same asset previously recognised as an expense in determining the net result, the increment is recognised as an other economic flow in determining the net result.

Revaluation decrements are recognised immediately as an other economic flow in the net result, except that, to the extent that a credit balance exists in the physical asset revaluation reserve in respect of the same class of asset, they are debited to the physical asset revaluation reserve, net of applicable tax.

VicForests' non-financial physical assets are valued at fair value with any revaluation increments or decrements to the values of the assets recognised in the physical asset revaluation reserve, net of applicable income tax (See Note 7.3 – Fair value determination).

**Note 7**

# Risks, contingencies and valuation judgements

**Introduction**

VicForests is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, including exposures to financial risk, as well as those items which are contingent in nature or require a higher level of judgement to be applied, which for VicForests relate mainly to fair value determination.

**Structure**

This section includes:

- Note 7.1 Financial instruments specific disclosures
- Note 7.2 Contingent assets, contingent liabilities and guarantees
- Note 7.3 Fair value determination

**Note 7.1 Financial instruments specific disclosures****Introduction**

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Certain financial assets and financial liabilities arise under statute rather than a contract (i.e. taxes). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*. VicForests applies AASB 9 *Financial Instruments* and classifies all of its financial assets based on the business model for managing the assets and its contractual terms.

**Categories of financial assets**

Financial assets are measured at amortised cost if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by VicForests to collect the contractual cash flows; and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interest.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

VicForests recognises the following assets in this category:

- cash and deposits; and
- receivables (excluding statutory receivables).

### **Categories of financial liabilities**

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method.

VicForests recognises the following liabilities in this category:

- payables (excluding statutory payables);
- borrowings; and
- lease liabilities.

### **Derecognition of financial assets:**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- VicForests retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- VicForests has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset; or
  - has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where VicForests has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of VicForests' continuing involvement in the asset.

### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'Other economic flows' in the comprehensive operating statement.

## Financial instruments: Categorisation

	Cash and deposits \$'000	Financial assets at amortised cost \$'000	Financial liabilities at amortised cost \$'000	Total \$'000
<b>2023</b>				
<b>Contractual financial assets</b>				
Cash and deposits	4,799	–	–	<b>4,799</b>
Trade receivables	–	1,419	–	<b>1,419</b>
Trade receivables - Victorian Government entities	–	63,728	–	<b>63,728</b>
<b>Total contractual financial assets<sup>(a)</sup></b>	<b>4,799</b>	<b>65,147</b>	<b>–</b>	<b>69,946</b>
<b>Contractual financial liabilities</b>				
<b>Payables</b>				
Customer delivery shortfalls and harvest and haulage contractors compensation	–	–	20,876	<b>20,876</b>
Trade and other payables	–	–	8,533	<b>8,533</b>
Victorian Government entities			1,417	<b>1,417</b>
<b>Borrowings</b>				
Loan facility – TCV	–	–	52,700	<b>52,700</b>
Lease liabilities	–	–	2,069	<b>2,069</b>
<b>Total contractual financial liabilities<sup>(a)</sup></b>	<b>–</b>	<b>–</b>	<b>85,595</b>	<b>85,595</b>
<b>2022</b>				
<b>Contractual financial assets</b>				
Cash and deposits	5,620	–	–	<b>5,620</b>
Trade receivables	–	7,665	–	<b>7,665</b>
Trade receivables - Victorian Government entities	–	9,331	–	<b>9,331</b>
<b>Total contractual financial assets<sup>(a)</sup></b>	<b>5,620</b>	<b>16,996</b>	<b>–</b>	<b>22,616</b>
<b>Contractual financial liabilities</b>				
<b>Payables</b>				
Customer delivery shortfalls and harvest and haulage contractors compensation	–	–	7,193	<b>7,193</b>
Trade and other payables	–	–	6,534	<b>6,534</b>
Victorian Government entities	–	–	1,027	<b>1,027</b>
<b>Borrowings</b>				
Loan facility – TCV	–	–	19,940	<b>19,940</b>
Lease liabilities	–	–	3,057	<b>3,057</b>
<b>Total contractual financial liabilities<sup>(a)</sup></b>	<b>–</b>	<b>–</b>	<b>37,751</b>	<b>37,751</b>

Note:

(a) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from/to Government for indirect taxes).



## Financial risk management objectives and policies

The main purpose in holding financial instruments is to prudentially manage VicForests' financial risks within the Victorian Government policy parameters. VicForests' main financial risks include credit risk, liquidity risk and market risk.

VicForests manages its financial risk in accordance with its risk management framework. The Board of Directors of VicForests has overall responsibility for the establishment and oversight of the risk management framework. The risk management framework seeks to minimise the potential adverse effects from risk on VicForests' financial performance.

Under the framework VicForests' management is responsible for identifying risks and recording them in VicForests' Risk Register. The Audit, Finance and Risk Committee (a sub-committee of the Board) is responsible for grouping the risks and developing and monitoring risk management instructions for each risk grouping. Instructions developed to identify, analyse and manage financial risk include a Customer Credit Instruction and a Treasury Management Instruction. These financial risk instructions set appropriate risk limits and controls, and the mechanism for monitoring adherence to the limits and controls. The Audit, Finance and Risk Committee oversees how senior management monitors compliance with VicForests' risk management instructions and is assisted in this task by internal audit.

### Credit risk

Credit risk arises from the contractual financial assets of VicForests, which comprises cash and deposits and non-statutory receivables. VicForests' major exposure to credit risk arises from that portion of the non-statutory receivables, due from a number of business and individual customers to whom VicForests has sold timber. Credit risk is measured at fair-value and is monitored on a regular basis.

Provision for impairment of contractual financial assets is recognised when there is objective evidence that VicForests may not be able to collect a receivable (Loss allowance 30 June 2023: \$Nil; 30 June 2022: \$6,173,127). See Note 8.4 – Related parties for detail for impaired related party receivable.

#### Credit quality of financial assets

	Financial institutions (triple-A credit rating) \$'000	Victorian Government agencies (triple-A credit rating) \$'000	Other (un-rated) \$'000	Total \$'000
<b>2023</b>				
Cash and deposits	4,799	–	–	4,799
Contractual receivables applying the simplified approach for impairment	–	63,728	1,419	65,147
<b>Total contractual financial assets <sup>(a)</sup></b>	<b>4,799</b>	<b>63,728</b>	<b>1,419</b>	<b>69,946</b>
<b>2022</b>				
Cash and deposits	5,620	–	–	5,620
Contractual receivables applying the simplified approach for impairment	–	9,331	7,665	16,996
<b>Total contractual financial assets <sup>(a)</sup></b>	<b>5,620</b>	<b>9,331</b>	<b>7,665</b>	<b>22,616</b>

Note:

(a) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Government for indirect taxes, if any).

## Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. VicForests operates under the Victorian Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution. VicForests is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees.

VicForests manages its liquidity risk by:

- close monitoring of its short-term and long-term borrowings by senior management, including monthly reviews on current and future borrowing levels and requirements;
- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations;
- careful maturity planning of its financial obligations based on forecasts of future cash flows;
- working closely with DEECA and DTF to consider and assess any additional funding requirements;
- holding a Letter of Support from the Treasurer; and
- a high credit rating for the State of Victoria (Moody's Investor Services and Standard & Poor's double-A, which assists in accessing debt market at a lower interest rate).

The carrying amount detailed in the following table of contractual financial liabilities as recorded in the financial statements, and \$132,935 (30 June 2022: \$189,365) in relation to financial guarantees granted for loans to other entities (See Note 7.2 - Contingent assets, contingent liabilities and guarantees), represents VicForests maximum exposure to liquidity risk.

### Maturity analysis of contractual financial liabilities

	Carrying amount \$'000	Nominal amount \$'000	< 1 month \$'000	1-3 months \$'000	3 months - 1 year \$'000	1-10 years \$'000
<b>2023</b>						
<b>Payables</b>						
Customer delivery shortfalls and harvest and haulage contractor compensation	20,876	20,876	20,876	–	–	–
Trade and other payables	8,533	8,533	8,415	118	–	–
Victorian Government entities	1,417	1,417	1,417	–	–	–
<b>Borrowings</b>						
Loan facility – TCV	52,700	52,700	52,700	–	–	–
Lease liabilities	2,069	2,069	109	211	858	891
<b>Total</b>	<b>85,595</b>	<b>85,595</b>	<b>83,517</b>	<b>329</b>	<b>858</b>	<b>891</b>
<b>2022</b>						
<b>Payables</b>						
Customer delivery shortfalls and harvest and haulage contractor compensation	7,193	7,193	7,193	–	–	–
Trade and other payables	6,534	6,534	6,143	387	4	–
Victorian Government entities	1,027	1,027	1,027	–	–	–
<b>Borrowings</b>						
Loan facility – TCV	19,940	19,940	19,940	–	–	–
Lease liabilities	3,057	3,057	153	238	982	1,684
<b>Total</b>	<b>37,751</b>	<b>37,751</b>	<b>34,456</b>	<b>625</b>	<b>986</b>	<b>1,684</b>

## Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of financial instruments. Market risk comprises foreign exchange risk, inflationary pressures and interest rate risk. Market risk comprises foreign exchange risk, interest risk, and other price risk. VicForests has no material exposure to market risk.

## Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. VicForests has minimal exposure to cash flow interest rate risks through cash at bank/(bank overdraft) that are at floating rate. VicForests management has concluded that the cash at bank/(bank overdraft) can be left at the floating rate without necessarily exposing VicForests to significant interest rate risk.

Interest may be applied to certain contractual receivables; the rate being per the *Penalty Interest Rate Act 1983*. The rate, whilst variable, has been 10% since 1 February 2017. The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and VicForests sensitivity to interest rate risk are immaterial.

	Interest rate exposure				
	Interest rate (%) on interest bearing portion	Carrying amount  \$'000	Fixed interest rate	Variable interest rate	Non-interest bearing
			\$'000	\$'000	\$'000
2023					
Financial assets					
Cash and deposits	4.25%	4,799	–	–	4,799
Contractual receivables					
Trade receivables	10.00%	1,419	–	1,419	–
Victorian Government entities		63,728	–	–	63,728
Total financial assets		69,946	–	1,419	68,527
Financial liabilities					
Contractual payables					
Customer delivery shortfalls and harvest and haulage contractors compensation		20,876	–	–	20,876
Trade and other payables		8,533	–	–	8,533
Victorian Government entities		1,417	–	–	1,417
Borrowings					
Loan facility – TCV	4.265%	52,700	–	52,700	–
Lease liabilities	2.81%	2,069	2,069	–	–
Total financial liabilities		85,595	2,069	52,700	10,899

	Interest rate (%) on interest bearing portion	Carrying amount  \$'000	Interest rate exposure		
			Fixed interest rate  \$'000	Variable interest rate  \$'000	Non- interest bearing  \$'000
2022					
Financial assets					
Cash and deposits	1.00%	5,620	–	–	5,620
Contractual receivables					
Trade receivables	10.00%	7,665	–	7,665	–
Victorian Government entities		9,331	–	–	9,331
Total financial assets		22,616	–	7,665	14,951
Financial liabilities					
Contractual payables					
Customer delivery shortfalls and harvest and haulage contractors compensation		7,193	–	–	7,193
Trade and other payables		6,534	–	–	6,534
Victorian Government entities		1,027	–	–	1,027
Borrowings					
Loan facility – TCV	1.015%	19,940	–	19,940	–
Lease liabilities	4.12%	3,057	3,057	–	–
Total financial liabilities		37,751	3,057	19,940	14,754

**Interest rate risk sensitivity**

	Interest rate risk sensitivity		
	Carrying amount	-100 basis points Net result	+100 basis points Net result
	\$'000	\$'000	\$'000
<b>2023</b>			
<b>Contractual financial assets</b>			
Cash and deposits	4,799	(48)	48
<b>Total impact</b>		<b>(48)</b>	<b>48</b>
<b>Contractual financial liabilities</b>			
Borrowings	52,700	(527)	527
<b>Total impact</b>		<b>(527)</b>	<b>527</b>
<b>2022</b>			
<b>Contractual financial assets</b>			
Cash and deposits	5,620	(56)	56
<b>Total impact</b>		<b>(56)</b>	<b>56</b>
<b>Contractual financial liabilities</b>			
Borrowings	19,940	(199)	199
<b>Total impact</b>		<b>(199)</b>	<b>199</b>

The above table summarises the sensitivity of VicForests' financial assets and financial liabilities to interest rate risk. It illustrates the impact on the net result of VicForests. A 100 basis points (1%) movement up (and down) in market interest rates on cash and deposits and bank overdraft has been used to show sensitivities to interest rates at both the reporting date of 30 June 2023 and the comparative year of 30 June 2022.

Whilst the above sensitivity analysis was based on the reporting date balances, it needs to be acknowledged that the balances with the bank and the TCV fluctuate within any month. The actual risk exposure could vary and might not exist for a whole month or year. The above analysis is therefore considered to be realistic and confirms that the market risk exposure is not material.

## Note 7.2 Contingent assets, contingent liabilities and guarantees

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented exclusive of GST receivable or payable respectively.

### Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of VicForests.

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable.

**Quantifiable contingent assets:** During the year ended 30 June 2015, the Supreme Court ordered that MyEnvironment pay VicForests the sum of \$1,235,500 for legal costs following its unsuccessful litigation. This court order may be enforced during a period of 15 years. A balance of \$1,235,500 remains unpaid as at 30 June 2023 (30 June 2022: \$1,235,500). In addition, a further \$1,016,613 has accrued in penalty interest as at 30 June 2023 (30 June 2022: \$893,063). Legal action would likely be required to recover these amounts.

During the reporting period the Supreme Court ordered Bingenwarri Friends of the Jack and Albert River Catchment Inc pay VicForests the sum of \$93,800 (30 June 2022: \$Nil) for legal costs following its unsuccessful litigation. In addition, a further \$3,264 has accrued in penalty interest as at 30 June 2023 (30 June 2022: \$Nil). As noted above, a court order of this nature may be enforced during a period of 15 years. To date, Bingenwarri has failed to engage with VicForests on its liability. Legal action would likely be required to recover these amounts.

**Non-quantifiable contingent assets:** At 30 June 2023 \$Nil (30 June 2022: \$Nil).

### Contingent liabilities and guarantees

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations;
  - the amount of the obligations cannot be measured with sufficient reliability.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.



**Quantifiable contingent liabilities:**

	30 June 2023			30 June 2022		
	Government	Other	Total	Government	Other	Total
	\$	\$	\$	\$	\$	\$
<b>Bank guarantees issued</b>						
<b>Opening Balance</b>	–	189,365	<b>189,365</b>	10,000	56,430	<b>66,430</b>
New guarantees issued	–	–	–	–	132,935	<b>132,935</b>
Guarantees withdrawn	–	(56,430)	<b>(56,430)</b>	(10,000)	–	<b>(10,000)</b>
<b>Closing Balance</b>	–	<b>132,935</b>	<b>132,935</b>	–	<b>189,365</b>	<b>189,365</b>

VicForests has a potential obligation to pay the bank in the event the guarantees are called upon by the beneficiary of the guarantee. The existence of an obligation will be confirmed only by the occurrence of one or more uncertain future events.

**Non-quantifiable contingent liabilities:** During the reporting period, VicForests has been the respondent to several cases of legal proceedings before the Courts brought by third parties. These cases brought by groups opposed to sustainable native timber harvesting are founded on claims that VicForests has or will breach its regulatory obligations flowing from the *Code of Practice for Timber Production 2014* (as amended 2022).

All the cases are based on allegations relating to obligations that are subject to the regulatory powers of the DEECA including The Office of the Conservation Regulator (OCR). In some instances, these cases include claims about matters that have already been investigated by the OCR.

VicForests defended these actions in accordance with the Model Litigant Guidelines for Victorian Government entities.

While a number of these long running matters have finished, at the date of this report, two matters in the Supreme Court of Victoria have judgement reserved. The outcomes in relation to these cases are unknown at the date of this report. In addition, one new proceeding has been commenced against VicForests since reporting date (See Note 8.7 – Subsequent events).

Based on the above evaluations, these contingent liabilities are non-quantifiable.

## Note 7.3 Fair value determination

### Significant judgements

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of VicForests.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Consistent with AASB 13 *Fair Value Measurement*, VicForests determines the policies and procedures for fair value measurement for financial reporting purposes for the following assets and liabilities:

- financial instruments;
- biological assets; and
- property, plant and equipment.

In addition, the fair values of other assets and liabilities that are carried at amortised cost, also need to be determined for disclosure purposes.

### Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

The levels are described below:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, VicForests has determined classes of assets and liabilities based on the nature, characteristics and risks of the assets or liability and the level of the fair value hierarchy as explained above. The fair value of each class of financial instruments approximates their carrying value as at 30 June 2023.

In addition, VicForests determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There have been no transfers between levels during the reporting period.

### Fair value determination of biological assets – native timber

AASB 141 *Agriculture* determines fair value as the amount which could be expected to be received from the disposal of the asset in an active and liquid market less the costs expected to be incurred in realising the proceeds of such a disposal.

The fair value of a biological asset is based on its present location and condition. If an active market exists for a biological asset in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of that asset. Where access exists to different markets then the most relevant market is referenced.

In the event that market determined prices or values are not available for a biological asset in its present condition, the present value of the expected net cash flows from the asset, discounted at a current market determined rate is utilised to determine fair value. The expected net cash flows take into account the expected yield of the forest at harvest, expected sale prices, and expected harvesting and haulage expenses to market and incorporate possible variations in the net cash flows. (Compliant with AASB 141 *Agriculture*, regeneration expenses are excluded).

VicForests had in the past engaged PwC (PricewaterhouseCoopers) on an annual basis to provide an independent expert assessment of the fair value less costs to sell (FVLCTS) of its harvesting and selling rights relating to its allocated timber resource. The primary valuation methodology adopted by the independent expert was the income approach (discounted cash flow analysis) rather than the market approach due to the lack of an active and liquid native forest market providing low comparability for the basis of a valuation. The cost approach was not considered due to the difficulty in estimating the total historical cost or an appropriate replacement cost for native forests.

According to AASB 13, valuation techniques used to measure fair value shall be applied consistently. However, a change in valuation technique or its application is appropriate if the change results in a measurement that is equally or more representative in the circumstances. The change in government policy announced in May 2023 to bring forward the cessation of native timber harvesting in Victorian state forests to 1 January 2024, together with the Court rulings are events that can trigger a change in valuation technique.

Management still considers the income approach to be the most appropriate valuation technique to determine the fair value of native timbers at reporting date, given that there is still no active market for the asset to determine the quoted price for the asset.

Under the income approach the FVLCTS of the biological asset is based on the present value of the cash flows that the asset can be expected to generate in the future. The expected cash flows take into account forecast sustainable harvest volumes, market process, harvesting and haulage expenses to market, and any other costs intrinsically related to the sustainable harvesting operation of the asset. The cash flows are then discounted at a discount rate (the cost of capital) that reflects the time value of money and the risks associated with the cash flows.

#### Significant judgements relating to the biological assets valuation

In the current period, an independent expert assessment was not engaged for the valuation of VicForests' biological assets. Instead, management has assessed the fair value of the asset to be \$Nil as at 30 June 2023 using the same income approach as the revaluation method as consistent with previous periods. The change in fair value is based on the core assumption that native timber harvesting is to cease by 1 January 2024 (2022: 30 June 2030) in Victoria's state forests. This coupled with various legal proceedings has compelled VicForests to suspend harvesting for a significant portion of the current reporting period. As a result, these restrictions have rendered the expected cashflows from the asset (taking into account the expected yield of the forest at harvest, expected sale prices and expected harvesting and haulage expenses to market) to be of minimal value.

The net decrement to the fair value of the biological asset as a result of applying the above core assumption was recognised in the comprehensive operating statement as an Other economic flow.

#### Fair value measurement hierarchy of biological assets – native timber

	Net carrying amount \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
As at 30 June 2023	-	-	-	-
As at 30 June 2022	14,700	-	-	14,700

### Fair value measurement hierarchy of property, plant and equipment

	Net carrying amount \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>As at 30 June 2023</b>				
Land at fair value	472	–	472	–
Buildings at fair value	944	–	–	944
Leasehold improvements at fair value	497	–	–	497
Plant and equipment at fair value	581	–	–	581
Motor vehicles at fair value	1,143	–	–	1,143
<b>Fair value total at end of year<sup>(a)</sup></b>	<b>3,637</b>	<b>–</b>	<b>472</b>	<b>3,165</b>
<b>As at 30 June 2022</b>				
Land at fair value	825	–	825	–
Buildings at fair value	1,404	–	–	1,404
Leasehold improvements at fair value	62	–	–	62
Roads and bridges at fair value	2,723	–	–	2,723
Plant and equipment at fair value	556	–	–	556
Motor vehicles at fair value	1,322	–	–	1,322
Assets under construction at cost	7	–	–	7
<b>Fair value total at end of year<sup>(a)</sup></b>	<b>6,899</b>	<b>–</b>	<b>825</b>	<b>6,074</b>

#### Note

(a) Assets under construction (See Note 4.1 - Property, plant and equipment) are excluded as they are measured at cost.

There have been no transfers between levels for the property, plant and equipment during the period.

### Valuation of property, plant and equipment

All property, plant and equipment are recognised initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment in accordance with the requirements of FRD 103 *Non-Financial Physical Assets*. For all assets measured at fair value, the current use is considered the highest and best use.

This revaluation process occurs every 5 years, based upon the asset's classification under the Victorian Government Purpose Classification, but may occur more frequently if fair value assessments indicate material changes in values. Revaluations are conducted either independently (as required under FRD 103 *Non-Financial Physical Assets*) or using management expertise and classified as a management revaluation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying value of the asset and the net amount is restated to the revalued amount of the asset.

In accordance with FRD 103 *Non-Financial Physical Assets*, an independent revaluation of VicForests roads and permanent bridges was performed by the Valuer-General Victoria as at 30 June 2021. The assets were valued by desktop valuation due to current COVID-19 restrictions which meant no site inspections could be undertaken. Management has determined that a revaluation exercise for all other assets is not required as fair value and cost are considered to approximate each other.

There were no changes in valuation techniques throughout the financial year.

- **Land**

Land is valued using the market approach, whereby assets are compared to recent comparable sales or sales of comparable assets that are considered to have nominal value. To the extent that this non-specialised land does not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach. No valuation was performed in the current financial year.

- **Buildings and motor vehicles**

VicForests acquires, uses and depreciates these right-of-use assets solely for their service potential and not to generate profits from their resale. The depreciation rate used reflects the lease term. The assets are returned to the lessor at the expiration of the lease term.

- **Leasehold improvements and plant and equipment**

Management has determined the fair value of leasehold improvements and plant and equipment on the basis of the current replacement cost to approximate their fair value. VicForests acquires, uses and depreciates these assets solely for their service potential and not to generate profits from their resale.

- **Roads and bridges**

Roads and bridges were previously valued at fair value using the current replacement cost (CRC) method. The CRC method has been used as the improvements are of a specialised nature, and there is no active and liquid market as the asset is rarely sold. This cost generally represents the replacement cost of the improvements to a modern equivalent standard in order to replace the service capacity of an asset after applying depreciation rates on a useful life basis. VicForests has previously undertaken a revaluation of all road assets as of 30 June 2021 in accordance with the five-year cycle that VicForests is on. Given the Victorian Government's decision to bring forward the cessation of native harvesting in state forests to 1 January 2024, management has performed a revaluation to adjust the fair value of the assets to \$Nil at 30 June 2023. The revaluation has informed the fair value recorded within the financial statements.

## Note 8

# Other disclosures

### Introduction

Other disclosures comprise additional material required by accounting standards or otherwise, for the understanding of these financial statements.

### Structure

This section includes:

- Note 8.1 Other economic flows included in net result
- Note 8.2 Responsible persons
- Note 8.3 Remuneration of executives
- Note 8.4 Related parties
- Note 8.5 Remuneration of auditors
- Note 8.6 New accounting standards and interpretations applicable but not yet effective
- Note 8.7 Subsequent events

## Note 8.1 Other economic flows included in net result

Other economic flows are changes in the value of an asset or liability that arise from changes in market remeasurements, and not as a result of transactions.

	2023 \$'000	2022 \$'000
<b>(Loss) on non-financial assets</b>		
Loss on revaluation of biological assets	(12,900)	(17,688)
Loss on write down of inventories	(2,679)	(1,139)
Loss on revaluation of roads and bridges	(751)	–
Loss on disposal of non-financial physical and intangible assets	(35)	(1)
<b>Total (loss) on non-financial assets</b>	<b>(16,365)</b>	<b>(18,828)</b>
<b>(Loss) on financial instruments</b>		
Loss on financial instruments	(7)	(6,173)
<b>Total (loss) on financial instruments</b>	<b>(7)</b>	<b>(6,173)</b>
<b>Gain from other economic flows</b>	<b>147</b>	<b>268</b>
<b>Total other economic flows before income tax</b>	<b>(16,225)</b>	<b>(24,733)</b>
Income tax benefit relating to other economic flows	4,867	7,420
<b>Total other economic flows included in net result after income tax</b>	<b>(11,358)</b>	<b>(17,313)</b>



## Note 8.2 Responsible persons

In accordance with the Ministerial Directions issued by the Assistant Treasurer, under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

### Names

The responsible persons who held the positions of Minister, Directors and Accountable Officer in VicForests at any time during the financial year were as follows:

Position	KMP Name	Date range
Minister for Agriculture	The Hon Gayle Tierney MLC	1 July 2022 to 30 June 2023
Director, Chair	Ben Hubbard	1 July 2022 to 30 June 2023
Director, Deputy Chair	Therese Ryan	1 July 2022 to 26 August 2022
Director	David Cochrane	1 July 2022 to 30 June 2023
Director	Angeleen Jenkins	1 July 2022 to 30 June 2023
Director	Kim McGrath	1 July 2022 to 30 June 2023
Accountable Officer, Chief Executive Officer	Monique Dawson	1 July 2022 to 30 June 2023

### Remuneration of ministers

Amounts relating to the Minister are reported in the State's Annual Financial Report.

### Remuneration of directors

The Directors' remuneration received or receivable in connection with the management of VicForests during the reporting period was as follows:

Income band (\$)	Number of directors	
	2023	2022
\$ 0 – \$ 9,999	1	1
\$40,000 – \$49,999	3	4
\$70,000 – \$79,999	–	1
\$80,000 – \$89,000	1	–
<b>Total numbers</b>	<b>5</b>	<b>6</b>
<b>Total amount (\$)</b>	<b>\$222,387</b>	<b>\$252,322</b>

## Note 8.3 Remuneration of executives

### Remuneration of accountable officer

The total remuneration received or receivable by the Accountable Officer in connection with the management of VicForests during the reporting period was in the range \$380,000 - \$389,999 (30 June 2022: \$370,000 - \$379,999).

### Remuneration of executives

The number of executive officers, other than ministers and accountable officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents are based on the time fraction worked over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by VicForests, in exchange for services rendered, and is disclosed in the following categories:

- **Short-term employee benefits** – include amounts such as salaries, paid annual leave, sick leave and bonuses, as well as non-monetary benefits such as allowances and free or subsidised goods or services;
- **Post-employment benefits** – consists of superannuation entitlements;
- **Other long-term employee benefits** – consists of long service leave provided: and
- **Termination benefits** – consists of payments in lieu of notice (if any).

Remuneration	2023 \$'000	2022 \$'000
Short-term employee benefits	1,111	1,392
Post-employment benefits	133	133
Other long-term employee benefits	31	35
Termination benefits	79	–
<b>Total remuneration<sup>(a)</sup></b>	<b>1,354</b>	<b>1,560</b>
<b>Total number of executives during the reporting period</b>	<b>6</b>	<b>6</b>
<b>Total annualised employee equivalents<sup>(b)</sup></b>	<b>5.39</b>	<b>6.00</b>

Notes:

- (a) The total number of senior executives includes persons who meet the definition of Key Management Personnel (KMP) of VicForests under AASB 124 Related Party Disclosures and are also reported within the Related Parties note disclosure (See Note 8.4 - Related parties).
- (b) Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over the 52 weeks for a reporting period.

## Note 8.4 Related parties

VicForests is a wholly owned and controlled entity of the State of Victoria.

Related parties of VicForests include:

- all cabinet ministers and their close family members;
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements; and
- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have a significant influence over).

### Significant related party transactions

VicForests booked significant income and expenses, associated receivables, payables and borrowings and other assets/liabilities recognised with the following related parties:

		2023		2022	
		Income	Receivables	Income	Receivables
	Note	\$'000	at 30 June \$'000	\$'000	at 30 June \$'000
<b>Significant income and receivables</b>					
Department of Energy, Environment and Climate Action		151,763	63,723	5,159	1,284
Department of Jobs, Skills, Industry and Regions		11,253	–	19,561	7,984
Department of Treasury and Finance		194	1	14	–
Melbourne Water		983	4	486	63
<b>Total significant income and receivables</b>	<b>2.3, 5.1, 7.1</b>	<b>164,193</b>	<b>63,728</b>	<b>25,220</b>	<b>9,331</b>

2023	Note	Expenses \$'000	Contractual payables at 30 June \$'000	Statutory payables at 30 June \$'000	Borrowings at 30 June \$'000	Contract liabilities at 30 June \$'000	Commitments for expenditure \$'000
<b>Significant expenses and liabilities</b>							
Centre for IT Excellence (CenITex)		(897)	(32)	-	-	-	(14)
Department of Energy, Environment and Climate Action		(1,691)	(833)	-	-	(4,662)	-
Department of Jobs, Skills, Industry and Regions		(57)	-	-	-	-	-
Department of Treasury and Finance		(235)	(62)	-	-	-	-
East Gippsland Water		(52)	(11)	-	-	-	-
Melbourne Water		(412)	(309)	-	-	-	-
State Revenue Office		(1,036)	-	(122)	-	-	-
Treasury Corporation of Victoria		(1,445)	(170)	-	(52,700)	-	-
Victorian Managed Insurance Authority		(640)	-	-	-	-	-
<b>Total significant expenses and liabilities</b>	<b>5.2, 5.7, 6.1, 7.1</b>	<b>(5,429)</b>	<b>(1,417)</b>	<b>(122)</b>	<b>(52,700)</b>	<b>(4,662)</b>	<b>(14)</b>
<b>2022</b>							
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Significant expenses and liabilities</b>							
Centre for IT Excellence (CenITex)		(740)	(19)	-	-	-	(53)
Department of Energy, Environment and Climate Action		(5,874)	(815)	-	-	-	-
Department of Jobs, Skills, Industry and Regions		(32)	-	-	-	(5,415)	-
Department of Treasury and Finance		(37)	(22)	-	-	-	-
East Gippsland Water		(68)	(7)	-	-	-	-
Energy Safe Victoria		-	(12)				
Game Management Authority		-	(10)				
Melbourne Water		(121)	(131)	-	-	-	-
State Revenue Office		(901)	-	(87)	-	-	-
Treasury Corporation of Victoria		(20)	(11)	-	(19,940)	-	-
Victorian Managed Insurance Authority		(541)	-	-	-	-	-
<b>Total significant expenses and liabilities</b>	<b>5.2, 5.7, 6.1, 7.1</b>	<b>(8,334)</b>	<b>(1,027)</b>	<b>(87)</b>	<b>(19,940)</b>	<b>(5,415)</b>	<b>(53)</b>

### **Related party loss allowances on receivables expense and impaired receivables**

No expense was recognised during the year ended 30 June 2023 in respect of loss allowances on receivables due from related parties (30 June 2022: \$6,173,127 because the related public service entity disputed the transaction).

### **Key management personnel (KMP)**

AASB 124 *Related Party Disclosures* defines key management personnel (KMP) as those persons with the authority and responsibility for planning, directing and controlling the activities of VicForests, directly or indirectly, i.e. those charged with decision making responsibilities.

KMP of VicForests include the Portfolio Minister, members of the VicForests Board of Directors and members of the VicForests Executive Team. KMP names and position titles are as follows:

<b>Position</b>	<b>KMP Name</b>	<b>Date range</b>
Minister for Agriculture	The Hon Gayle Tierney MLC	1 July 2022 to 30 June 2023
Director, Chair	Ben Hubbard	1 July 2022 to 30 June 2023
Director, Deputy Chair	Therese Ryan	1 July 2022 to 26 August 2022
Director	David Cochrane	1 July 2022 to 30 June 2023
Director	Angeleen Jenkins	1 July 2022 to 30 June 2023
Director	Kim McGrath	1 July 2022 to 30 June 2023
Accountable Officer, Chief Executive Officer	Monique Dawson	1 July 2022 to 30 June 2023
Executive Officer, Chief Financial Officer	Darryn Kamp	1 July 2022 to 27 May 2023
Executive Officer, General Manager, Communications	Anna Stefanatos	01 July 2022 to 30 June 2023
Executive Officer, General Manager, Environment and Legal Services	Natalie Naylor	1 July 2022 to 30 June 2023
Executive Officer, General Manager, Operations	Deon Kriek	1 July 2022 to 23 June 2023
Executive Officer, General Manager, Organisational Performance	Jason Hellyer	1 July 2022 to 30 June 2023
Executive Officer, General Manager, Transformation	Anne Geary	1 July 2022 to 31 December 2022
Director, Governance and Reporting	Wendy Rowe	01 July 2022 to 31 January 2023
Director of Technology	Ishara Kotiah	01 July 2022 to 30 June 2023
Director, Forest Management	Bill Paul	01 July 2022 to 30 June 2023
Chief Financial Officer	Stephen Gatley	27 May 2023 to 30 June 2023
Acting Director, Practices and Planning	James Gunn	15 May 2023 to 30 June 2023
Acting General Manager, Operations	Charles Stansfield	28 May 2023 to 30 June 2023

	2023	2022
	\$'000	\$'000
<b>Compensation of KMPs</b>		
Short-term employee benefits	2,370	2,449
Post-employment benefits	252	226
Other long-term employee benefits	58	55
Termination benefits	79	–
<b>Total compensation</b> (a) (b) (c) (d)	<b>2,759</b>	<b>2,730</b>

Notes:

- (a) As per the VicForests Enterprise Agreement 2020, there are two (2) employees on Career Level 6 and one (1) employee on Career Level 7 acting in KMP positions that were vacant and therefore, amounts disclosed are from the start of their acting arrangement.
- (b) The compensation details above exclude remuneration and allowances paid to the Minister.
- (c) The directors' remuneration has also been reported in Note 8.2 – Responsible persons.
- (d) The accountable officer and executives' remuneration has also been reported in Note 8.3 – Remuneration of executives.

### **Transactions and balances with KMP and other related parties**

Outside of normal citizen type transactions with the Victorian public sector, the following related party transactions, exclusive of GST, that involved KMPs were incurred:

	2023	2022
	\$'000	\$'000
<b>Transactions with KMP related parties</b>		
Christopher Lovell, Director (Resigned 30 May 2022), is a director of the Victorian Managed Insurance Authority from whom VicForests has insurance cover	–	541
Anne Geary, Executive Officer (Resigned from VicForests – 31 December 2022), was a director of Wood Products Victoria Ltd (Resigned 6 February 2023) to which VicForests paid membership levies	10	20
Anna Stefanatos, Executive Officer was appointed 27 February 2023 as a director of Wood Products Victoria Ltd to which VicForests paid membership levies	10	–
<b>Total transactions with KMP related parties</b>	<b>20</b>	<b>561</b>

No provision has been required, nor any expense recognised, for impairment of receivables from KMPs or their related parties.

### **Loans with KMPs**

There have been no loans entered into during or since the end of the reporting period to or from KMPs.

## **Note 8.5 Remuneration of auditors**

		2023	2022
	Note	\$'000	\$'000
<b>Victorian Auditor-General's Office (VAGO)</b>			
Audit or review of the financial statements	3.5	95	102
<b>Total amount</b>		<b>95</b>	<b>102</b>



## Note 8.6 New accounting standards and interpretations applicable but not yet effective

Certain new and revised accounting standards have been issued but are not effective for the 2022-23 reporting period. The below accounting standards have been issued and are applicable to VicForests, but are not yet effective. VicForests has not adopted these standards, and does not intend to adopt these standards early.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on VicForests' financial statements
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants	<p>AASB 2020-1 amended AASB 101 Presentation of Financial Statements to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current and was applicable to annual reporting periods beginning on or after 1 January 2022.</p> <p>AASB 2020-6 subsequently amended AASB 2020-1, deferring the mandatory effective date of AASB 2020-1 from 1 January 2022 to 1 January 2023. AASB 2022-6 was applicable for annual reporting periods beginning on or after 1 January 2022.</p> <p>AASB 2022-6 amends and clarifies the requirements contained in AASB 2020-1. Among other things, it:</p> <ul style="list-style-type: none"> <li>clarifies that only those covenants that an entity must comply with at or before the reporting date affect a liability's classification as current or non-current; and;</li> <li>requires additional disclosures for non-current liabilities that are subject to an entity complying with covenants within twelve months after the reporting date.</li> </ul>	AASB 2022-6 applies to annual reporting periods beginning on or after 1 January 2023.	VicForests is currently in the process of assessing the potential impact of these standards and amendments. However, it is not anticipated to have a material impact.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods, but are considered to have limited impact on VicForests reporting.

## Note 8.7 Subsequent events

On 16th August 2023, the VicForests Board resolved to immediately cease native timber harvesting operations, other than limited activities. This decision arose after consideration of the legal obligations arising from the Court of Appeal decision of 27th June 2023.

On 4th September 2023, VicForests received a further approval to borrow up to \$100 million from the Treasury Corporation of Victoria (TCV). The approval has effect for the period from 31st August 2023 to 30th June 2024 (inclusive).

On 5th September 2023, the Governor in Council under Section 17 of the *State Owned Enterprises Act 1992*, revoked the declaration of VicForests as a State business corporation. Furthermore under section 7(1) of the Act, VicForests was declared to be a reorganising body effective 5th September 2023.

On 11th September 2023, VicForests was served with a new Court proceeding, by Wombat Forestcare Inc, who allege Vicforests has failed to survey for threatened species in the Wombat State Forest. A subsequent Supreme Court order has temporarily halted salvage logging operations in one coupe, pending a full trial.

On 2nd October 2023, the Governor in Council swore in The Hon Ros Spence MP as Minister for Agriculture.

With the exception of the above mentioned, no other matters and/or circumstances have arisen since the end of the reporting period which significantly affect or may significantly affect the operations of VicForests, the results of those operations, or the state of affairs of VicForests in future financial years.

With the exception of the above mentioned findings, no other matters and/or circumstances have arisen since the end of the reporting period which significantly affect or may significantly affect the operations of VicForests, the results of those operations, or the state of affairs of VicForests in future financial years.

# Appendix 1: Disclosure index

The annual report of VicForests is prepared in accordance with all relevant Victorian legislations and pronouncements. This index has been prepared to facilitate identification of VicForests' compliance with statutory disclosure requirements.

Legislation	Requirement	Page reference
<b>Standing Directions (SDs) and Financial Reporting Directions (FRDs)</b>		
<b>Report of operations</b>		
<b>Charter and purpose</b>		
FRD 22	Manner of establishment and the relevant Ministers	6, 48
FRD 22	Purpose, functions, powers and duties	6
FRD 8	VicForests' objectives, indicators and outputs	6
FRD 22	Key initiatives and projects	12, 22
FRD 22	Nature and range of services provided	6, 50
<b>Management and structure</b>		
FRD 22H	Organisational structure	10
<b>Financial and other information</b>		
FRD 8	Performance against output performance measures	14, 25
FRD 10	Disclosure index	102
FRD 12	Disclosure of major contracts	34
FRD 15	Executive officer disclosures	30, 95
FRD 22	Application and operation of <i>Freedom of Information Act 1982</i>	35
FRD 22	Application and operation of the <i>Public Interest Disclosures Act 2012</i>	36
FRD 22	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	36
FRD 22	Details of consultancies over \$10,000	34
FRD 22	Details of consultancies under \$10,000	34
FRD 22	Disclosure of government advertising expenditure	33
FRD 22	Disclosure of ICT expenditure	33
FRD 22	Employment and conduct principles	27
FRD 22	Major changes or factors affecting performance	3, 4, 26
FRD 22	Occupational health and safety policy	27
FRD 22	Significant changes in financial position during the year	3, 4, 26
FRD 22	Statement of availability of other information	37
FRD 22	Statement on Competitive Neutrality Policy	36
FRD 22	Subsequent events	101
FRD 22	Summary of the financial results for the year	25
FRD 25	Local Jobs First	32
FRD 29	Workforce data disclosures	27
SD 5.2	Specific requirements under Standing Direction 5.2	41

Legislation	Requirement	Page reference
<b>Standing Directions (SDs) and Financial Reporting Directions (FRDs)</b>		
<b>Compliance attestation and declaration</b>		
SD 5.4.1	Attestation for compliance with Ministerial Standing Direction	37
SD 5.2.3	Declaration in report of operations	1
<b>Financial statements</b>		
<b>Declaration</b>		
SD 5.2.2	Declaration in financial statements	41
<b>Other requirements under Standing Directions 5.2</b>		
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	49
SD 5.2.1(a)	Compliance with Standing Directions	41
SD 5.2.1(b)	Compliance with Model Financial Report	37
<b>Other disclosures as required by FRDs in notes to the financial statements</b>		
FRD 21	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	94
FRD 103	Non-Financial Physical Assets	59, 71, 88
FRD 110	Cash Flow Statements	46
FRD 112	Defined Benefit Superannuation Obligations	53
FRD 114	Financial Instruments	80
<b>Legislation requiring a specific disclosure statement</b>		
	<i>Building Act 1993</i>	36
	<i>Financial Management Act 1994</i>	37
	<i>Freedom of Information Act 1982</i>	35-36
	<i>Local Jobs Act 2003</i>	32
	<i>Public Interest Disclosures Act 2012</i>	36-37
<b>Other legislation VicForests is subject to includes:</b>		
	<i>Aboriginal and Torres Strait Islander Heritage Protection Act 1984 (Cth)</i>	
	<i>Aboriginal Heritage Act 2006</i>	
	<i>Accident Compensation Act 1985</i>	
	<i>Australian Consumer Law and Fair Trading Act 2012</i>	
	<i>Borrowing and Investment Powers Act 1987</i>	
	<i>Catchment and Land Protection Act 1994</i>	
	<i>Competition and Consumer Act 2010 (Cth)</i>	
	<i>Conservation, Forests and Lands Act 1987</i>	
	<i>Corporations Act 2001 (Cth)</i>	
	<i>Crown Land (Reserve) Act 1978</i>	
	<i>Emergency Management Act 2013</i>	
	<i>Environment Protection Act 2017</i>	

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*Environment, Protection and Biodiversity Conservation Act 1999 (Cth)*

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*Fair Work Act 2009 (Cth)*

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*Flora and Fauna Guarantee Act 1988*

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*Forests Act 1958*

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*Forests (Wood Pulp Agreement) Act 1996*

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*Gender Equality Act 2020*

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*Health Records Act 2001*

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*Health Records Act 2012 (Cth)*

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*Income Tax Assessment Act 1936 (Cth)*

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*Income Tax Assessment Act 1997 (Cth)*

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*Independent Broad-Based Anti-Corruption Commission Act 2011*

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*Long Service Leave Act 2018*

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*Multicultural Victoria Act 2004*

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*Native Title Act 1993 (Cth)*

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*Occupational Health and Safety Act 2004*

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*Owner Drivers and Forestry Contractors Act 2005*

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*Parliamentary Budget Officer Act 2017*

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*Payroll Tax Act 2007*

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*Penalty Interest Rate Act 1983*

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*Personal Property Securities Act 2009 (Cth)*

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*Privacy and Data Protection Act 2014*

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*Public Administration Act 2004 (Vic)*

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*Public Health and Wellbeing Act 2008 (Authorising Provision of the Pandemic (Workplace) Orders and the Pandemic (Public Safety) Order 2022)*

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*Public Records Act 1973*

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*Regional Forests Agreement Act 2002 (Cth)*

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*Road Management Act 2004*

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*Road Safety Act 1986*

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*State Owned Enterprises Act 1992*

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*Superannuation Guarantee (Administration) Act 1992 (Cth)*

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*Superannuation Industry (Supervision) Act 1993*

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*Sustainable Forests (Timber) Act 2004*

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*Traditional Owner Settlement Act 2010*

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*Wildlife Act 1975*

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*Workplace Injury Rehabilitation and Compensation Act 2013*

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# Table of acronyms

Acronym	Definition
AAAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ATO	Australian Taxation Office
Code	Code of Practice of Timber Production 2014 (as amended 2022)
CRC	Current Replacement Cost
DEECA	Department of Energy, Environment and Climate Action
DELWP	Department of Environment, Land, Water and Planning
DJPR	Department of Jobs, Precincts and Regions
DJSIR	Department of Jobs, Skills, Industry and Regions
DTF	Department of Treasury and Finance
FBT	Fringe Benefits Tax
FFMVic	Forest Fire Management Victoria
FMA	<i>Financial Management Act 1994</i>
FoI	Freedom of Information
FoLP	Friends of Leadbeater's Possum Inc
FRD	Financial Reporting Direction
FRN	Forest Road Network
FTE	Full-time Equivalent
FVLCTS	Fair value less costs to sell
GST	Goods and Services Tax
IBAC	Independent Broad-Based Anti-Corruption Commission
ICT	Information and Communication Technology
KMP	Key Management Personnel
LBP	Leadbeater's possum
LIDAR	Light Detection and Ranging
LIDP	Local Industry Development Plan
LSL	Long Service Leave
NRV	Net Realisable Value
NTER	National Tax Equivalent Regime
OHS	Occupational Health and Safety
OCR	The Office of the Conservation Regulator
OVIC	Office of the Victorian Information Commissioner
RAP	Reconciliation Action Plan
RFA	Regional Forest Agreement
SD	Standing Direction
SRO	State Revenue Office
TCV	Treasury Corporation of Victoria
THN	Timber Haulage Network
VAGO	Victorian Auditor-General's Office
VIPP	Victorian Industry Participation Policy





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