



2014-15

AUSTRALIAN FOREST
PRODUCTS ASSOCIATION

**ANNUAL
REPORT**

AUSTRALIAN
FOREST PRODUCTS
ASSOCIATION



TREES | WOOD | PAPER

MEMBERS

African Mahogany (Australia) Pty Ltd	Global Forests Partners LP	PF Olsen Australia Pty Ltd
Allied Timber Products Pty Ltd	- Hume Forests Ltd	South East Fibre Exports Pty Ltd
Appita Inc	- Murray River Forests Pty Ltd	Timber NSW
Associated Kiln Driers Pty Ltd	- Australian Bluegum Plantations	Timber Queensland
Australian Paper	- Green Triangle Forest Products	VicForests
Australian Forest Contractors Association Ltd	Hancock Victorian Plantations Pty Ltd	Victorian Association of Forest Industries
Big Traffic Co Pty Ltd	HQPlantations Pty Ltd	Visy Industries
Boral Timber	Hyne and Son Pty Ltd	WA Plantation Resources
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CO2 Australia	Koppers	Whiteheads Timber Sales Pty Ltd
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Forest Industries Federation of WA	Midway Pty Ltd	
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Forestry Corporation of NSW	New Forests Asset Management Pty Ltd	
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	OneFortyOne Plantations	
	Pentarch Forest Products Pty Ltd	

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CHAIRMAN'S OVERVIEW

I am excited about the future of our industry and the opportunities that lie before us.

We are Australia's 6th largest manufacturing industry with an annual turnover of \$21 billion, contributing around 0.6% to Australia's gross domestic product and 6.7% of manufacturing output.

We directly support around 120,000 jobs in our extended supply chain, including the truss and frame sector, and an additional 180,000 jobs through flow-on economic activity.

We play an important role in rural and regional communities and economies, providing much needed jobs and skilled employment opportunities. A fact that is not lost on Australia's politicians.

We have many natural advantages as trees are a sustainable, biological resource from which we can produce a huge range of renewable forest products and environmental benefits, including the potential to develop innovative products such as biomaterials, biochemicals and bioenergy.



“AFPA is very positive about the continued future for Australia’s forest, wood and paper products industry.”

Many new value-added forest products can be produced if the policy settings and incentives are right, particularly through developing the significant potential from growing new plantations.

AFPA is very positive about the continued future for Australia’s forest, wood and paper products industry.

With an expanding population both in Australia and in the South-East Asia region, aging housing stock and high forecast demand for new housing and other wood-based products over the next few decades, our industry has the potential to provide a versatile range of wood, paper and other bio-based products.

We need to make sure that we have the vision and commitment to capitalise on these opportunities.

There will always be challenges facing our industry such as market demand, increasing competition, price changes, exchange rate fluctuations, input cost increases and adverse policy shocks.

I suggest that it is how we, as industry leaders, adapt to meet these around-the-corner challenges that is the important thing.

So, like many industries before us, we are at a crossroads. We are going okay and the future is filled with challenges, but also, with extraordinarily exciting opportunities.

We probably all know the story of the huge multinational company Kodak which also faced a significant crossroad, due to the huge digital technology disruption. The digital age was on the horizon, and although this brought many challenges, it also brought incredible new avenues of opportunity. What mortally wounded Kodak was not a lack of demand, in fact there have never been more photographs taken than there are today. However the once great Kodak is nowhere to be seen in this new age.

Instead of embracing innovation, it clung to the past, to what it knew, and refused to adapt to a changing landscape until it was left with no choice. By then it was too far behind, and catching up was near impossible.

As one of American digital film pioneer's Ryan Kavanaugh said, *"The key is to embrace disruption and change early. Don't react to it decades later. You can't fight innovation."*

One way for our industry to prepare to embrace change, innovate and take advantage of the natural benefits of wood fibre as we exit our crossroads, is to ensure that the industry strategy and long-term policy settings are right.

In April 2015, the Forest Industry Advisory Council (FIAC) and the Department of Agriculture released a strategic issues paper titled

"...provide the Australian Government with high level direction and coordinated action to help build the forest, wood and paper products industry into the future."

'Meeting Future Market Demand'. AFPA and the broader industry provided detailed comment on the issues paper including the identification of priority policy areas.

Through this process and our advocacy work, industry will continue to push for a **'National Forestry and Fibre Plan'** to provide the Australian Government with high level direction and coordinated action to help build the forest, wood and paper products industry into the future. A solid framework will help our industry embrace innovation and potentially become international leaders in wood fibre utilisation.

Ultimately we will need to step up to the challenge and take a strong position in meeting the huge demand from rapidly developing markets.

AFPA looks forward to tackling this challenge. I'd like to thank my fellow Directors and the AFPA staff for their service and dedication over the past year and in anticipation for the exciting year ahead.



Greg McCormack
Chairman

Your Association has completed a strong year and moves into the 15/16 financial period well positioned to energetically pursue outcomes on behalf of the forest, wood, and paper products industry.

At an operational level we have continued to reduce costs and have delivered positively against budget.

It is extremely comforting to report a stable budget and staff situation, as calendar year 2016 is shaping up as absolutely crucial for the industry. It will be, of course, a federal election year. The nation will most likely go to the polls sometime between winter and Christmas which means we also have in store a pre-election budget in May. It is our core work to seek to have all major Party's policy platforms contain positive and forward looking statements for forestry and forest product industries.



CEO ANNUAL REPORT

AFPA has plans in place to participate actively in both the budget process and the election campaign itself in our pursuit of the best for the industry.

Your Association exists to help ensure that the optional policy settings are in place which do not penalise our industries and which recognize the fact that we are the 'greenest' of industries in so many ways. For far too long the attributes which our industries provide to communities for 'free' (such as carbon stored in timber framing) have not only gone unrecognized, but we have suffered set back after set back in terms of public perception of the goodness of what we do. This in turn has led to sub-optimal policy outcomes and kneejerk political responses – such as yet more 'lock-ups' which fail to recognise the need to manage the landscape for multiple outcomes.

Perhaps we can claim to have shifted the debate a little in this year and aim even higher next year.

AFPA was instrumental in Federal Parliament in persuading sufficient cross-bench Senators to knock out the ALP and Green's attempt to remove the use of native forestry wood waste from the Renewable Energy Target.

AFPA has also been a strong voice in arguing for new policy instruments for plantations, both to get more trees in the ground and grow the productivity of the standing estate. We are working hard on a new policy proposal in this regard for the 2016 budget.

AFPA has also been vocal in industry policy, arguing before Senate Inquiries for stronger anti-dumping system rules and outcomes, and making the case for more understanding of the pain of sky-rocketing gas and energy prices for AFPA's large operators.

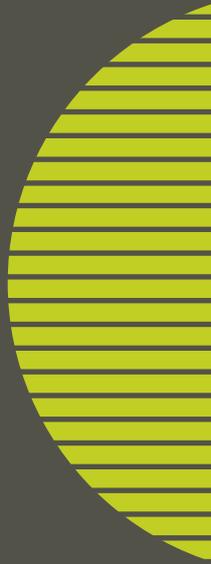
AFPA advocacy was influential in the Government's decision to establish a Forest Industry Advisory Council (FIAC). FIAC is working towards a national growth plan for the whole industry. AFPA will be terrier-like in our determination that the work, submissions and ideas which are being contributed to that FIAC process will be manifested in national policy and not simply rest as an industry document.

This year AFPA has also successfully argued for funding for the piloting of biomass removal as a bushfire mitigation tool, continued to contribute to the growth of both of the major certification schemes, and is leveraging value from a renewed engagement at an international level with our peer Associations.

These are just a small sample of the policy areas which we work on for you, our members.

A glance at the enormous amount of content produced by us and available on our website will illustrate that AFPA staff work diligently and tirelessly on issues which affect you; be they landscape altering policy or local level challenges in which you need help to navigate the bureaucratic maze.

"AFPA will be terrier-like in our determination that the work, submissions and ideas which are being contributed to that FIAC process will be manifested in national policy and not simply rest as an industry document."



AFPA has also worked this year to try to further reduce the overlap and duplication of advocacy services in the sector. We have partnered with other groups as much as possible (such as the Great Hall Parliament Dinner with the Prime Minister), and I continue to discuss the best future possible for the whole industry with my peers in other places.

My position is strongly that you do not want or need a "Canberra club".

You desire a strong, effective, persuasive, strategic advocacy body which goes to sleep at night and wakes every morning thinking of your interests and how to pursue them.

That is AFPA.

With your help we can make the next year the best for your organisation yet.

"You desire a strong, effective, persuasive, strategic advocacy body which goes to sleep at night and wakes every morning thinking of your interests and how to pursue them. That is AFPA."

I would like to thank the AFPA staff for their diligence, creativity and willingness to go beyond the expected.

I also thank the AFPA Board of Directors who give up so much of their time to grapple with the big picture challenges we face to ensure the strategic direction of AFPA is repeatedly assessed and updated as our operating environment changes.



Ross Hampton
Chief Executive Officer



1

**AFPA'S OBJECTIVES
AND POLICY PRIORITIES**

1.1 OBJECTIVES

The constitution establishes a number of tasks for AFPA:

- Be a vehicle for effective and efficient communication between various sectors within the industry;
- Shape and drive industry and Government policy development for the benefit of the industry;
- Secure the best outcomes for the industry in important policy development through effective lobbying and other targeted representation;
- Raise the profile of the industry with community opinion leaders, for the purpose of making the industry relevant, profitable and sustainable;
- Encourage and facilitate education on issues relevant to the sustainable growth of the industry; and
- Develop and maintain cohesive and positive working relationships with other bodies within the industry.

AFPA'S OBJECTIVES AND POLICY PRIORITIES

1.2 POLICY PRIORITIES

AFPA has identified eight key priorities to position the industry at the forefront of the low carbon economy, and to deliver economic, social and environmental benefits.

Plan for a renewable future

Recognise the environmental and economic value to the Australian community of a vibrant forest products industry and plan for expanded contribution of the industry to a low carbon economy.

Carbon economy and renewable energy

Deliver a better regulatory environment and a new program of direct action for the commercialisation of carbon sequestration in forests and forest products through payments for carbon storage and greater use of biomass for renewable energy.

Building resource security

Stimulate capital investment for new softwood and hardwood plantations, and support the Regional Forest Agreements to provide long term wood supply from sustainably managed forests.

Competitive energy networks

Deliver competitive and efficient (low cost) energy networks for wood and paper manufacturing users, including affordable gas and associated gas infrastructure.

Improving market access

Deliver fast and effective anti-dumping action, support certification, address illegally sourced imports of wood and paper products, and recognise the environmental advantages of wood through wood encouragement policies, building codes and energy rating schemes.

Public communications

Promote the benefits of sustainable forest management and recognise the renewability of products derived from wood through public communications activities.

Investment environment

Facilitate investment comparable to other countries by reducing sovereign risk, ensuring transparent planning processes and having incentives for investment.

Infrastructure and R&D

Develop better infrastructure, promote skills and resume funding of R&D in sustainable forest industries.

1.3 CHAMBERS

AFPA's Constitution establishes three Chambers:



Each of these Chambers met regularly during 2014-15 and they provide an architecture for information sharing between members who share common industry wide interests.



RESOURCES

Australia has a vast forest estate of over 125 million hectares, making it the world's 7th most forested nation. However, despite an abundance of forest resources, only around 7.5 million hectares of multiple-use public native forests and 2 million hectares of plantations are available for wood production.

The plantation estate, split almost evenly between softwood and hardwood, provides over 80% of total wood production, or 21 million cubic meters in 2013-14. Of the multiple-use public native forest resource, less than 80,000 ha or around 0.8%, are harvested annually.

The management and harvesting of plantation and native forest logs generates an annual gross value of production of \$1.8 billion and provides around 15,000 jobs, mainly in rural and regional areas. This supports the processing sector which delivers a total value of industry sales of \$21 billion annually and creates a further 62,000 jobs.

Australia's forests represent a unique resource in the Asia Pacific region. The highest standards of sustainable forest management are maintained, with the management of plantations and native forests proven to be sustainable through accreditation by either or both of the major international Certification schemes (Australian Forest Standard/PEFC and Forest Stewardship Council).

The AFPA Resources Chamber covers all of the major plantation owners and Government Business Enterprises managing native forests, as well as leading plantation management services companies and environmental services (carbon plantations). Combined, Resource Chamber members own and/or manage over 80% of the plantation resource, and a similar proportion of the multiple-use public forests.

“The management and harvesting of plantation and native forest logs generates an annual gross value production of \$1.8 billion and provides around 15,000 jobs...”

Key policy priorities of the Resources Chamber include:

- **PLANTATIONS** — Expanding the plantation resource to support future investment in processing scale and boost industry competitiveness
- **RESOURCE SECURITY** — concluding the outstanding Regional Forest Agreement reviews and developing a mechanism to extend the RFAs for a further 20 years
- **CLIMATE CHANGE** — development of methodologies under the Carbon Farming Initiative, to enable plantation and forest management to be recognised as eligible activities for the Emissions Reduction Fund
- **CLIMATE CHANGE** — advocating for changes to the Renewable Energy Target to enable native forest wood waste access to renewable energy certificates



PROCESSING

The Processing Chamber has a diverse membership including hardwood and softwood sawmillers and processors, engineered wood product producers, hardwood and softwood woodchip and log exporters, forest contractors, wood treatment chemical companies, and other State industry associations.

Australian forest processing industries make a significant contribution to the Australian economy and can provide many solutions to enable the transition of the economy toward a more renewable and sustainable future. Given a growing population and higher demand for a range of building, construction, fibre and energy products to meet future needs both in Australia and South East Asia, our forest based processing industries can help satisfy this demand with renewable products, while providing significant economic development and regional jobs.

“The manufacturing components of the industry represent up to 7 per cent of total manufacturing value added in Australia, directly supporting more than 62,000 jobs.”

At their very core, our forest processing industries are based on a biological resource supplied and renewed by the sun. The manufacturing components of the industry represent up to 7 per cent of total manufacturing value added in Australia, directly supporting more than 62,000 jobs.

The Processing Chamber will shape, prioritise and drive processing sector national policy (or policy with national ramifications) development for the benefit of the industry. Members also use the Processing Chamber as a vehicle for effective and efficient communication across the processing sector.

National policy themes for the Processing Chamber include: Industry Image; Market Access; Resource Security; Carbon Economy; and Competitiveness.

This year, apart from the regular governance activities, the Processing Chamber focused on many key policy issues, including: Forest Industry Advisory Council industry process and issues paper; export certification; carbon policy; Emission Reduction Fund opportunities for the processing sector; certification; foreign investment; illegal logging, antidumping system reform; R&D policy; standards, codes and timber technical development; and biosecurity.

Additionally key softwood sawmilling members established sub-forum called the ‘Softwood Sawmilling Leaders Group’ (SSLG) to better discuss collaborative issues of direct relevance to the softwood sawmilling sector.

PULP AND PAPER

The Australian pulp and paper industry is a diverse sector producing a range of paper and paperboard products, including tissue, printing and writing papers, newsprint and packaging papers. The paper industry directly employs 18,000 people with an annual sales income of over \$9 billion from total production of around 3 million tonnes.

The Australian paper industry is proud of its high standards of environmental and social responsibility. These standards are often not the same as for imported products where there can be risks of products sourced from illegal logging, areas with poor forestry or industrial environmental practices or with inadequate safety and labour conditions.

The inherent environmental strengths of paper include the fact that it can be made from renewable sources with carbon sequestration and recycling benefits. Paper recycling rates in Australia are amongst the highest in the world with over 87% of all paper and paperboard consumed being recovered. At its plant in Albury New South Wales, for example, Norske Skog recycles 100,000 tonnes of old newspapers and magazines each year as part of its production of newsprint. Australian Paper's recent investment in a recycled paper production facility for office paper will also divert up to 80,000 tonnes of waste paper per annum from landfill.

The Australian paper industry is also a large producer of renewable energy through the use of biomass waste for electricity production. Visy, for example, generates around 230 GWh of renewable energy each year from its national operations, with most of this energy being generated at its paperboard mill in Tumut, New South Wales. The paper mill operated by Australian Paper in Maryvale, Victoria, generates 200 GWh per year of bioenergy, making it the largest producer of renewable power in the state.

Kimberly-Clark Australia (KCA) also received the Banksia Award for a Cleaner Environment in 2014 for its achievements in energy efficiency and water quality improvement at its tissue plant in Millicent, South Australia. The KCA achievements included decreasing the site's energy and carbon footprint by more than half over the past five years and diverting on average 95% of the sites manufacturing waste from landfill.

Key areas of focus and policy priorities of the Pulp and Paper Chamber included:

- ongoing reform to strengthen the anti-dumping system;
- national energy policy, including work to better recognise thermal energy (i.e. heat) in renewable energy policy;
- climate change policy, including work on wood plantation methodologies and incentives via the Carbon Farming Initiative;
- illegal logging regulation, to curb illegally sourced imports;
- a new initiative to develop improved national paper sustainability reporting;
- Australian Government procurement policy, particularly regarding environmental sustainability and recycling guidelines; and
- innovation and manufacturing competitiveness.



2

YEAR IN REVIEW

2. YEAR IN REVIEW

The Federal political scene saw the second year of a Coalition Government with the Hon Tony Abbott MP as Prime Minister. With no Cabinet changes to Agriculture, Environment or Industry and Science, The Hon Barnaby Joyce, the Hon Greg Hunt and the Hon Ian Macfarlane remained respective Ministers of their portfolios. Senator Richard Colbeck continued his position of Parliamentary Secretary to the Minister for Agriculture, with responsibilities for the forestry sector. The year also saw an increased focus on the power of the key eight cross-bench Senators, with very limited Party alliances, which amplified the range of discussion and negotiation required by the major Parties.

Prime Minister Tony Abbott once again addressed the Industry Gala Dinner in the Great Hall at Parliament House on 25 March, 2015. The dinner, hosted by AFPA and ForestWorks, was attended by almost 400 industry participants representing the whole value chain for forest products. The Prime Minister reiterated his support for the forest products industry saying, "I see you as the original conservationists."

Advocacy by AFPA has continued on a range of issues affecting the entire forest products industry, centred on improving business conditions by

"I see you as the original conservationists."
– Prime Minister Tony Abbott

streamlining Government policy and regulation. Specific advocacy efforts have been focused on a variety of policy issues detailed later in this report.

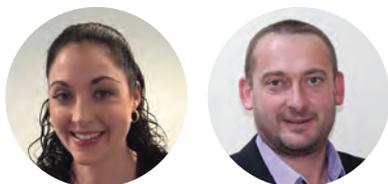
A major piece of policy work was the submission to the Australian Forest Industry Advisory Council (FIAC). FIAC has been tasked to advise this Government on building a positive future for the forest products industry and provide recommendations on proposed regulation and future policy settings. AFPA and the broader industry provided detailed comment on the issues paper detailed later in this report

Through this process and AFPA's advocacy work, industry will continue to push for a '**National Forestry and Fibre Plan**' to provide the Australian Government with high level direction and coordinated action to help build the forest, wood and paper products industry into the future.



3

GOVERNANCE



3. GOVERNANCE

3.1 AFPA BOARD

AFPA is governed by a membership-based Board, comprising ten Directors, each of whom have been selected as a result of a commitment to, and an understanding of, the forest, wood and paper products industry in Australia.

MEMBERS OF THE BOARD OF DIRECTORS

- Mr Greg McCormack (Chairman)
- Mr Ron Adams
- Mr Gus Carfi
- Mr Craig Dunn
- Ms Melissa Haslam
- Mr Chris Hyne
- Mr Andrew Leighton (Deputy Chair)
- Mr Cameron MacDonald
- Mr John Treddinnick
- Mr Shane Vicary (Treasurer)

3.2 AFPA STAFF

Mr Ross Hampton is the Chief Executive Officer of the Australian Forest Products Association. He leads and manages a team of six staff members of whom three work directly on policy issues and associated advocacy with the Government. Staff work predominantly at the Federal Government level, and AFPA's policy staffing qualifications and experience are chiefly in the areas of forestry, economics, wood markets and public policy.

The organisation represents the industry in a large number of ongoing administrative and policy activities in which the industry's voice needs to be heard – such as certification, manufacturing, plant health, national energy market reform (including network transmission and energy costs), bioenergy standards, and dialogue around the Regional Forest Agreements.

AFPA also represents the industry at international forums and this year AFPA was present at the general meeting of the International Council of Forest Products Associations (ICFPA) in Washington, the ICFPA and the Food and Agriculture Organisation of the United Nations (FAO) 56th session of the Advisory Committee on Sustainable Forest-based Industries (ACSFI), as well as the Forestry Market Development Mission to Japan and China, led by Senator Richard Colbeck.

Miss Elizabeth Goodfellow joined the AFPA staff in February 2015 as Communications and New Media Officer, and Ms Nicole Barnes joined the AFPA team in June 2015 in the role of Finance Manager and Company Secretary. Mr Mick Stephens was promoted to Deputy CEO in June 2015.





4

COMMUNICATIONS

4. COMMUNICATIONS

Communicating the industry's messages is a key function of AFPA. It is important that the messages are heard to underpin the Association's lobbying and advocacy efforts, maintain and enhance the industry's reputation, build new markets for industry, and maintain and create new membership opportunities. AFPA regularly issues media releases as the peak body for the forest products industry, with AFPA CEO Ross Hampton regularly speaking on national and regional radio, and writing opinion pieces for a range of media publications. Communication pathways to members include:

- Daily media monitoring;
- All-member emails distributed on policy issues and issues of interest across the industry;
- Video communications directly to members by CEO and Chamber Managers;
- Email distribution and direct phone calls by the Chamber Manager of specific issues of interest to Chamber members (including submissions and policy positions); and
- Formalised Chamber meetings four times per year (underpinned by comprehensive papers).

4.1 ONLINE PRESENCE

AFPA is building a more active online presence, with regular Twitter action, and streamlining the website to make it more dynamic and up to date.

Effective monitoring of Twitter activity is incorporated into AFPA's news monitoring capability. AFPA has almost 500 Twitter 'followers'. AFPA is increasingly becoming more consistent in Twitter activity and in diversifying our content. Tactics being used include: more regular tweeting of events and activities to add interest; retweeting our followers tweets to show support; tweeting relevant content not generated by AFPA; and tweeting using our followers handles to gain further reach and encourage the use of our handle. This Twitter activity is increasing dialogue throughout social media and is increasing our number of 'followers' and mentions of @AFPAOnline by other users, further spreading AFPA's messages. AFPA's website has become more active, and is regularly updated to ensure it is a source of information and a place of reference for industry, Government and the public on the national industry.

4.2 OPINION PIECES

Opinion pieces are regularly written by the AFPA CEO for publication in mainstream media, industry publications, and dissemination to industry via appearance on the AFPA website and Twitter. They cover topics across the entire value chain of forest products and are as diverse as the role of fibre in the carbon economy, bushfire mitigation, and industry employment and economic value.

4.3 MEDIA RELEASES

In 2014-15 AFPA distributed 54 media releases. The majority of these related to Federal issues affecting the industry. Coverage from these media releases included mainstream national media, regional media outlets, radio and press interviews, as well as industry and trade publications. Media releases remain an important tool for the organisation to raise its profile and to reach out to wider industry and policy decision makers.

5

**SELECTED
POLICY AREAS**

5. SELECTED POLICY AREAS

5.1 FOREST INDUSTRY ADVISORY COUNCIL PROCESS

The Forest Industry Advisory Council (FIAC) is tasked to advise the Federal Government on building a positive future for the forest products industry and provide recommendations on proposed legislation and future policy. AFPA participates in the FIAC both with direct representation and through representatives of direct member companies.

In April 2015, FIAC & the Department of Agriculture released a strategic issues paper titled 'Meeting Future Market Demand' for public comment. Priority areas identified in AFPA's publicly available submission (available on AFPA's website) include:

- **A DEDICATED MINISTER FOR FORESTRY AND FOREST PRODUCTS** — appointing a Minister in the Government with direct responsibility for forestry;
- **PLANTATION EXPANSION** — providing new drivers for commercial plantation expansion to deliver the resource needed to secure the future of existing and new wood processing facilities;
- **REGIONAL APPROACHES** — creating the right infrastructure and investment environment to support development of wood processing industries in key regional areas;
- **NEW FOREST, WOOD AND PAPER PRODUCTS** — positioning the industry to take advantage of opportunities to diversify production and increase value-adding, including commercialisations of local innovations; and
- **RESEARCH AND DEVELOPMENT** — addressing the dramatic decline in forest industry R&D investment and loss of critical mass of researchers, through greater incentives for forest industry R&D and co-funding of priority R&D activities.

The next step is that FIAC & the Department of Agriculture will evaluate and consolidate the comments received and develop a further strategic paper for release later in 2015. AFPA will continue to engage with the FIAC process to push for a 'National Forestry and Fibre Plan' to provide the Government with high level direction and coordinated action to build the forest, wood and paper products industry into the future.

“With the right policy settings, the forest, wood and paper products industry can make a significant contribution to climate change mitigation through multiple abatement pathways.”



5.2 CLIMATE CHANGE POLICY

Throughout the year AFPA continued to advocate and contribute to the development of national climate change policies and programmes. With the right policy settings, the forest, wood and paper products industry can make a significant contribution to climate change mitigation through multiple abatement pathways. These pathways include: carbon sequestration in forests and in wood and paper products, the substitution of emissions intensive building materials such as steel and concrete with timber and the use of biomass for renewable energy. AFPA provided detailed submissions to a number of climate policy reviews as well as attended a number of Government sponsored consultative forums, including the Ministerial round tables on setting post 2020 emission reduction targets and relevant activities that can underpin Australia's commitments.

The Coalition's Direct Action Plan to achieve climate change mitigation is underpinned by the \$2.55 billion Emissions Reduction Fund (ERF) to purchase carbon abatement from businesses via a reverse auction scheme. One key issue has been the lack of recognition of new wood plantations as a relevant carbon offset in the ERF via the related Carbon Farming Initiative (CFI). The AFPA Deputy CEO, Mr Mick Stephens, and a number of AFPA member company representatives, were appointed to a Plantation Forestry Methods Technical Working Group along with other experts to help develop suitable methods for the recognition of wood plantations in the CFI. Formal recognition of suitable methodologies will enable plantation activities to be able to bid for projects under the ERF and CFI mechanisms in the future.

The other major area of focus was on renewable energy policy and the Renewable Energy Target (RET) scheme in particular. AFPA advocated for appropriate recognition of emissions intensive trade exposed sectors (EITES); a realistic RET target that took into account recent falls in aggregate energy demand and impacts on input costs for the manufacturing sector, and the reinstatement of native forest sourced wood waste as an eligible feedstock for renewable energy credits. In mid-2015, bipartisan agreement was reached and legislation passed on a revised target of 33,000 GWh by 2020 together with full assistance for energy intensive trade exposed sectors from the direct pass-on costs of the RET. Native forest wood waste, as an eligible feedstock for renewable electricity, was also reinstated in the RET with the support of a 7 of the 8 cross-bench Senators. AFPA was instrumental in lobbying for these changes in the RET. However, an outstanding issue has been the lack of recognition of renewable thermal (i.e. heat) energy in the RET or related schemes. There are many opportunities for the utilisation of renewable thermal energy in industrial processes, such as the utilisation of steam in paper making processes. Unfortunately the RET does not recognise renewable heat in the large scale component of the RET, despite recognising solar hot water in the small scale scheme. AFPA will continue to advocate for better recognition of large scale thermal energy which could potentially generate new investment in several thousand GWh of renewable energy per annum over the next decade.

5.3 EXPORT CERTIFICATION

The Export Legislation Amendment Bills 2014 gave the Government the ability to level quantity charges and fees on export industries not currently liable under the existing Act (including timber products). The Bills themselves did not impose the new establishment registration fees and tonnage charges, rather this detail will be contained in associated Regulations (yet to be drafted). Following direct advocacy by AFPA our concerns with the process and implementation were recognised and addressed by not implementing the new export certification tonnage charges on timber product exports until adequate consultation with industry had occurred as part of a broader cost recovery fee review.

On the 3 June 2015, the Government introduced new Export Charges Bills 2015 which provide enabling legislation to create the appropriate legal structure for the recovery of costs for all exported goods through the imposition of charges, as a cost recovery levy, rather than a fee. It is understood that the new Bill primarily recovers costs of meat and livestock exports, and has less impact on grain and plant products export program as the charging framework for meat and livestock was less evolved.

The Department of Agriculture continues to review its cost recovery arrangements (the Review). The Department intent of the Review is to recover the full costs of services provided by the Department from the users of those services.

The cost recovery arrangements will have a significant impact on exports of timber products. As a result, AFPA continues to directly engage with the Department of Agriculture (via direct engagement and AFPA's ongoing membership of the Grain and Plant Products Industry Export Consultative Committee) to ensure the specifics of our industry are understood and recognised during the Review and ultimately will be incorporated in the development of a cost recovery model including an establishment fee and tonnage charges applicable for the next 4 years. The final cost recovery model is expected to be finalised and applied late in 2015.

5.4 ANTIDUMPING

In December 2014, the Government announced a further tranche of reforms to strengthen the anti-dumping system, with a particular focus on foreign exporters to cooperate in anti-dumping investigations; including facing higher dumping duties and having interim measures imposed as early as possible. This was seen as an important measure to level the playing field for domestic manufacturers in the context of freer trade.

The House of Representatives (HOR) Parliamentary Inquiry into the 'Circumvention of Anti-dumping Laws' is now complete. Circumvention refers to certain activities undertaken by parties with the intention of avoiding or reducing dumping or countervailing duties. These activities take various forms and exploit different aspects of the anti-dumping and countervailing system with the outcome being that the relevant goods do not attract the intended dumping or countervailing duty.

AFPA made both a submission to the HOR Inquiry and appeared at a public hearing of the Inquiry. Subsequently on the 1 June 2015, the HOR committee released a report titled 'Circumvention – closing the loopholes' that detailed some proposals for change including:

- The Antidumping Commission (ADC) has introduced a new regulation that covers slightly modified goods;
- The Minister should use a combination of duties in preference to a single duty; and
- The ADC to examine processes including resources to meet the prescribed timeframes for investigations.

AFPA still advocates that, notwithstanding recent positive reforms of the anti-dumping system, accessing the antidumping system is still onerous, time consuming and costly for industry. Further improvement is needed to make it more timely and effective.

5.5 CERTIFICATION

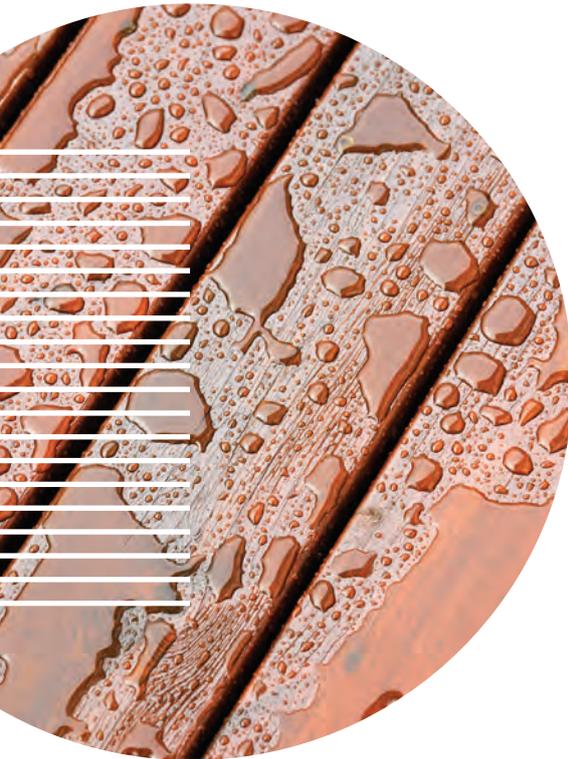
FOREST STEWARDSHIP COUNCIL

AFPA continues to be actively involved in the standards development process of the Forest Stewardship Council's (FSC) *National Forestry Stewardship Standard* (NFSS), as a member of the Standards Development Group (SDG). AFPA is supported in the SDG by representatives from Forestry Tasmania and New Forests.

The public consultation period on the first draft of the FSC NFSS ended in August 2014. Around 35 submissions were received on the first draft, with around half provided by industry. The Standards Development Group SDG has subsequently been working through the comments made in submissions.

Key issues raised in the submissions include the definition and treatment of sites with High Conservation Value (HCV); requirements for the protection of environmental values; Representative Sample Areas, and rare, threatened and endangered species; the calculation of sustainable yield; the definition and requirements for 'customary law'; requirements for pesticide use; and, worker's rights issues (adequacy of Australian law in meeting the eight ILO Core Conventions).

Preparation of the second draft of the NFSS was slowed by the late release of the International Generic Indicators (IGIs) (released in January 2015), which were prepared by FSC International to guide the development of National Standards. FSC Australia also underestimated the effort in negotiating, and seeking technical advice on many of the difficult issues (i.e. those still outstanding in the above list).



5.6 BIOSECURITY

The second draft of the NFSS is expected to be released for public consultation in the early August 2015. AFPA will again work with members to prepare submission on the second draft and ensure that the final standard is workable for industry.

AUSTRALIAN FORESTRY STANDARD

AFPA and members were actively involved in the review of the Australian Forestry Standards (AFS) standards AS4708–2013 *Sustainable Forest Management* and AS4707 *Chain of custody for certified wood and forest products*. The review of AS4708–2013 Sustainable Forest Management was completed in December 2014. It is now published and being used for certified activities. The revised standard provides forest owners and managers with recognition of their responsible management practices. The associated review of AS4707 Chain of custody (CoC) for certified wood and forest products is also complete and published.

From 1 January 2015 all new CoC certificates must be issued against AS4707.2014. The revised CoC standard underpins the tracking of wood and forest products through all phases of ownership, transportation and manufacturing to the end consumer.

The reviewed Australian Forest Certification Scheme (which includes both AS4707 and AS4708) has also achieved PEFC re-endorsement for the second time. This successful re-endorsement follows a rigorous third-party assessment against PEFC's sustainability benchmarks to ensure consistency with international requirements and also ensures that certified parties in Australia continue to benefit from the global acceptance of PEFC.

AFPA continues to monitor the implementation of the new standards.

GIANT PINE SCALE

AFPA was advised in October 2014 that Giant Pine Scale (GPS) was detected in the suburbs of Melbourne and Adelaide. The detection in Victoria is the first record of GPS infecting *Pinus radiata*. GPS represents a significant risk to the *Pinus radiata* plantation resource through reduced productivity. The weakened trees are also highly susceptible to secondary attack by other pests.

The detection of GPS has triggered an eradication response under the Emergency Plant Pest Response Deed (EPPRD). As required under the EPPRD, an EPP Consultative Committee (CCEPP) was formed to assess the situation and advise the National Management Group (NMG) — the decision-making body under the EPPRD. Both the CCEPP and NMG are chaired by the Federal Department of Agriculture and includes senior officials of state governments.

AFPA, as signatory to the EPPRD, represented the forest industry on the CCEPP and NMG.

The Victoria and South Australia governments, as the affected parties, were tasked with preparing an Eradication Response Plan (ERP). The ERP was very thorough and considered to have a high probability of successful eradication of GSP. However, it came at a substantial cost (almost than \$9 million), with around one third of the costs, almost \$3 million, to be covered by industry.

AFPA sought independent advice from an eminent forest entomologist on the structure of the ERP, the likelihood of success and whether the budget was fair and reasonable.

AFPA worked closely with affected companies, advising them of the risks GPS posed to the plantation resource, the detail of the Eradication Response Plan, as well as to gain agreement from those affected on whether to endorse the ERP and accept industry's share of the costs.

The ERP was officially endorsed by all affected parties in early April 2015.

The Victorian and South Australian governments are now implementing the Plan.

Under the EPPRD arrangement, the Commonwealth will initially underwrite industry's cost, then recover these costs through a levy. AFPA are working with the Federal Department of Agriculture to put in place the levy arrangement.

FOREST HEALTH AND BIOSECURITY SUBCOMMITTEE

Following a recent decision by the Plant Health Committee (PHC) to disband the Subcommittee on National Forest Health (SNFH), AFPA has been working to establish a new forum for industry and technical experts to meet to discuss forest health and biosecurity issues.

It was agreed at the June 2015 Resources Chamber meeting, to form the Forest Health and Biosecurity (FHaB) Subcommittee. This will provide a forum for AFPA members and forest health experts to discuss and raise awareness of biosecurity issues. It will also support AFPA, as the industry representative for Plant Health Australia and as signatory to the Emergency Plant Pest Response Deed, and provide guidance to the forestry representatives on the Plant Health Committee Surveillance and Diagnostics subcommittees of Plant Health Committee.

"AFPA worked closely with affected companies, advising them of the risks GPS posed to the plantation resource, the detail of the Eradication Response Plan, as well as to gain agreement from those affected on whether to endorse the ERP and accept industry's share of the costs."

The FHaB Subcommittee will be chaired by Dr Angus Carnegie (chair of the former Subcommittee on National Forest Health). An industry representative will act as deputy chair to provide a link for reporting back to the Resources Chamber on the activities of the committee.

It is proposed that the subcommittee will meet 3-4 times per year, with one face-to-face meeting and the other meetings being via teleconference.

BIOSECURITY MANUAL FOR PLANTATION FORESTRY

The Biosecurity Manual for Plantation Forestry was officially released in June 2015.

The Manual is designed to sit under the Forest Plantation Biosecurity Plan (FPBP) and aims to improve biosecurity awareness at a management level. It includes detailed operational procedures to minimise risks, as well as

facts sheet identifying high risk pests, symptoms of an infestation, control measures and risk assessment.

The Manual was developed by Plant Health Australia (PHA) in collaboration with AFPA, industry and forest health experts. Funding for the Biosecurity Manual was provided by Forests and Wood Products Australia (FWPA).

5.7 ACTIVE FOREST FIRE MANAGEMENT

Bushfires remained an important risk management issue with several large fires during the year. AFPA was engaged in promoting more active forest fire management via improved fuel reduction and bushfire preparedness activities across the forest landscape. In March 2015, AFPA was pleased that the Prime Minister announced a new three year \$1.5 million mechanical fuel reduction trials project as part of the National Bushfire Mitigation Programme. AFPA is a member of the oversight committee for this project which will trial and assess mechanical fuel reduction activities as a novel technique in conjunction with conventional fuel reduction burning activities. It is hoped that this project will better inform fuel reduction practices in Australia, similar to the experience in other countries such as the \$400 million ten year 'Forest Landscape Restoration Programme' managed by the United States Forest Service.

5.8 WORKPLACE HEALTH AND SAFETY

At the September 2014 AFPA Resources Chamber meeting, it was agreed to initiate a consultancy to consider options for the establishment of a national coordination and cooperation approach to safety performance within the sector. Forest and Wood Products Australia was approached, and agreed, to fund a consultancy. The consultant's report recommended the formation of a resources industry safety subcommittee, within AFPA.

This recommendation was discussed at the March 2015 AFPA meetings and it was agreed to form the Resources Chamber Workplace Health and Safety Subcommittee. The subcommittee will initially focus on:

- Cross-industry safety statistics - looking to develop an alternative to IRIS, potentially using the FWPA sales database.
- Identify industry best practice around health and safety management, eg. drug and alcohol programs
- Look at what programs already exist, such as the WA health and safety code of practice, and look at what can be developed at the national level.

Nick Roberts (Forestry Corporation of NSW) will Chair the Subcommittee and provide a link for reporting back to the Resources Chamber on the activities of the committee. The committee is to consist of 10-12 members drawn from member companies and to meet 3-4 times per year, with one of the meetings face-to-face. The committee is not to be a decision-making body, but will put forward recommendations for decision by the Resources Chamber.



5

**ANNUAL
FINANCIAL REPORT**



Australian Forest Products Association Limited

ABN:40 008 621 510

Financial Statements

For the Year Ended 30 June 2015



Australian Forest Products Association Limited

ABN:40 008 621 510

Contents

For the Year Ended 30 June 2015

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Australian Forest Products Association Limited
 ABN:40 008 621 510

Directors' Report
 30 June 2015

The directors present their report on Australian Forest Products Association Limited for the financial year ended 30 June 2015.

Directors

The names of each person who has been a director during the year and to the date of this report are:

Ronald John Adams	
Date Appointed	18 October 2012
Melissa Rae Haslam	
Date Appointed	15 September 2014
Augustin Carfi	
Date Appointed	26 March 2015
Geoffrey Craig Dunn	
Date Appointed	11 March 2014
Christopher William Hyne	
Date Appointed	15 November 2012
David Andrew Leighton	
Date Appointed	14 November 2013
Lisa Kathleen Marty	
Date Resigned	15 September 2014
Cameron Alastair MacDonald	
Date Appointed	18 October 2012
Gregory Henry McCormack	
Date Appointed	31 October 1991
John William Tredinnick	
Date Appointed	14 November 2013
Shane Michael Vicary	
Date Appointed	17 November 2011

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities

The principal activities of Australian Forest Products Association Limited during the financial year were:

- gathering and disseminating information on commercial, environmental and political issues relating to the forest industries and their development;

Australian Forest Products Association Limited

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Directors' Report

30 June 2015

Principal activities continued

- liaison with politicians and their advisers;
- liaison with various government departments on matters affecting the industries;
- development of ties with other forest based associations;
- speeches to industry gatherings;
- liaison with associated groups both within the forest industries and the wider economy; and
- liaison with media and preparation of articles for journals and newspapers.

No significant changes in the nature of the Company's activity occurred during the financial year.

Objectives of the company

The Company's short term objectives are to:

- be a vehicle for effective and efficient communication between various sectors with the forest industry
- shape and drive forest industry and government policy development for the benefit of the forest industry
- secure the best outcomes for the forest industry with important policy development through effective lobbying and other targeted representations;
- raise the profile of the forest industry with community opinion leaders, for the purpose of making the forest industry relevant, profitable and sustainable;
- develop and champion environmental, social, ethical and other standards for adoption within the forest industry;
- encourage and facilitate education on issues relevant to the sustainable growth of the forest industry; and
- develop and maintain cohesive and positive working relationships with other bodies with the forest industry.

Strategy for achieving the objectives

To achieve these objectives, the Company has adopted the following strategies:

- consulting with industry and industry representatives to identify emerging political, commercial and environmental issues;
- liaison with politicians and their advisers to convey the identified concerns of industry;
- prepare the submissions to governments on proposals which might affect industry; and
- public comment and presentations regarding aspects effecting or having the potential to affect the viability of

Australian Forest Products Association Limited

ABN:40 008 621 510

Directors' Report

30 June 2015

Strategy for achieving the objectives continued
the industry using electronic and print media.

Performance measures

The following measures are used within the Company to monitor performance:

- consultation with industry and industry representatives to identify emerging political, commercial and environmental issues;
- liaison with politicians and their advisers to convey the identified concerns of industry; and
- public comment and presentations regarding aspects effecting or having the potential to affect the viability of the industry using electronic and print media.

Members guarantee

Australian Forest Products Association Limited is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each members and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$ 20. At 30 June 2015 there were 39 members (2014:35).

At 30 June 2015 the collective liability of members was \$ 780 (2014: \$ 700).

Operating results

The profit of the Company amounted to \$334,517 (2014: loss \$(258,025)).

Meetings of directors

During the financial year, 4 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:



Australian Forest Products Association Limited
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Directors' Report
 30 June 2015

Meetings of directors continued

	Directors' Meetings	
	Number eligible to attend	Number attended
Ronald John Adams	4	4
Melissa Rae Haslam	4	4
Augustin Carfi	2	1
Geoffrey Craig Dunn	4	3
Christopher William Hyne	4	2
David Andrew Leighton	4	2
Lisa Kathleen Marty	1	1
Cameron Alastair MacDonald	4	4
Gregory Henry McCormack	4	4
John William Tredinnick	4	3
Shane Michael Vicary	4	2

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2015 has been received and can be found on page 5 of the financial report.

Signed in accordance with a resolution of the Board of Directors:



Director:
 David Andrew Leighton



Director:
 Gregory Henry McCormack

Dated 24 August 2015



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 www.hardwickes.com.au

Hardwickes
 ABN 35 973 938 183

Hardwickes Partners Pty Ltd
 ABN 21 008 401 536

Liability limited by a scheme
 approved under Professional
 Standards Legislation

Australian Forest Products Association Limited
 ABN:40 008 821 510

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Australian Forest Products Association Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Hardwickes

Hardwickes
 Chartered Accountants

R Johnson

Robert Johnson FCA
 Partner

Dated: 24 August 2015

Canberra



Australian Forest Products Association Limited

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Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2015

		2015	2014
	Note	\$	\$
Revenue and other income	2	2,025,714	1,690,055
Depreciation	3	(40,824)	(17,708)
Employee benefits expense		(1,056,296)	(1,154,933)
Other expenses		(391,005)	(525,670)
Project costs		(91,630)	(112,201)
Property costs		(111,443)	(137,568)
Current year surplus before income tax		334,516	(258,025)
Tax expense	(c)	-	-
Net current year surplus		334,516	(258,025)
Other comprehensive income:			
Fair value adjustment to buildings		-	255,000
Total other comprehensive income for the year		-	255,000
Total comprehensive income for the year		334,516	(3,025)

The accompanying notes form part of these financial statements.

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Australian Forest Products Association Limited

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Statement of Financial Position

30 June 2015

	Note	2015 \$	2014 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	1,237,736	910,449
Trade and other receivables	5	79,815	26,022
Current tax receivable	6	-	818
Prepayments	7	10,071	17,355
TOTAL CURRENT ASSETS		1,327,622	954,644
NON-CURRENT ASSETS			
Property, plant and equipment	3	1,642,548	1,681,842
TOTAL NON-CURRENT ASSETS		1,642,548	1,681,842
TOTAL ASSETS		2,970,170	2,636,486
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	161,491	147,048
Employee benefits	9	44,861	50,188
Other liabilities	10	695,214	715,770
TOTAL CURRENT LIABILITIES		901,566	913,006
NON-CURRENT LIABILITIES			
Employee benefits	9	56,155	45,548
TOTAL NON-CURRENT LIABILITIES		56,155	45,548
TOTAL LIABILITIES		957,721	958,554
NET ASSETS		2,012,449	1,677,932
EQUITY			
Asset realisation reserve		1,042,625	1,042,625
Retained earnings		969,824	635,307
TOTAL EQUITY		2,012,449	1,677,932

The accompanying notes form part of these financial statements.

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Australian Forest Products Association Limited

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Statement of Changes in Equity
For the Year Ended 30 June 2015

2015

	Capital Contributions	Retained Earnings	Asset Realisation Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2014	-	635,308	1,042,625	1,677,933
Surplus for the year attributable to members of the entity	-	334,516	-	334,516
Balance at 30 June 2015	-	969,824	1,042,625	2,012,449

2014

	Capital Contributions	Retained Earnings	Asset Realisation Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2013	311,838	581,495	787,625	1,680,958
Deficit for the year attributable to members of the entity	-	(258,025)	-	(258,025)
Revaluation increment	-	-	255,000	255,000
Transfer within reserve	(311,838)	311,838	-	-
Balance at 30 June 2014	-	635,308	1,042,625	1,677,933

The accompanying notes form part of these financial statements.

Australian Forest Products Association Limited

ABN:40 008 621 510

Statement of Cash Flows
For the Year Ended 30 June 2015

	2015	2014
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	2,093,537	2,030,833
Payments to suppliers and employees	(1,777,931)	(2,105,087)
Interest received	13,210	16,838
Net cash provided by (used in) operating activities	16 <u>328,816</u>	<u>(57,416)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(1,530)	-
Net cash used by investing activities	<u>(1,530)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in cash and cash equivalents held	327,286	(57,416)
Cash and cash equivalents at beginning of year	910,449	967,865
Cash and cash equivalents at end of financial year	4 <u>1,237,735</u>	<u>910,449</u>

The accompanying notes form part of these financial statements.

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Australian Forest Products Association Limited

ABN:40 008 621 510

Notes to the Financial Statements For the Year Ended 30 June 2015

The financial statements are for Australian Forest Products Association Limited as an individual entity, incorporated and domiciled in Australia. Australian Forest Products Association Limited is a not-for-profit Company limited by guarantee.

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounts Payable and Other Payables

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(b) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

(c) Income Tax

No provision for income tax has been raised as the Company is exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997*.

(d) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for that period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Australian Forest Products Association Limited

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Notes to the Financial Statements For the Year Ended 30 June 2015

1 Summary of Significant Accounting Policies continued

(e) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

All revenue is stated net of the amount of goods and services tax (GST).

Key judgements

(i) Employee benefits

For the purpose of measurement, AASB 119: *Employee Benefits* (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. The company expects most employees will take their annual leave entitlements within 24 months of the reporting period in which they were earned, but this will not have a material impact on the amounts recognised in respect of obligations for employees' leave entitlements.

Interest revenue

Interest is recognised using the effective interest method.

Rental income

Investment property revenue is recognised when invoiced in terms of the relevant lease agreements.

(f) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(g) Property, Plant and Equipment

Classes of property, plant and equipment are measured using the cost or revaluation model as specified below.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

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Australian Forest Products Association Limited

ABN:40 008 621 510

Notes to the Financial Statements For the Year Ended 30 June 2015

1 Summary of Significant Accounting Policies continued

(g) Property, Plant and Equipment continued

Assets measured using the revaluation model are carried at fair value at the revaluation date less any subsequent accumulated depreciation and impairment losses. Revaluations are performed whenever there is a material movement in the value of an asset under the revaluation model.

Land and buildings

Land and buildings are measured using the revaluation model.

Plant and equipment

Plant and equipment that have been contributed at no cost, or for nominal cost are valued and recognised at the fair value of the asset at the date it is acquired.

Depreciation

The depreciable amount of all property, plant and equipment, except for leasehold land is depreciated on a straight-line method from the date that management determine that the asset is available for use.

The economic life used for each class of depreciable asset are shown below:

Fixed asset class	Economic Life
Buildings	40 years
Plant and Equipment	5 to 10 years

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate. When an asset is disposed, the gain or loss is calculated by comparing proceeds received with its carrying amount and is taken to profit or loss.

(h) Financial instruments

(i) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period, which will be classified as current assets.

Australian Forest Products Association Limited

ABN:40 008 621 510

Notes to the Financial Statements For the Year Ended 30 June 2015

1 Summary of Significant Accounting Policies continued

(h) Financial instruments continued

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be sold within 12 months after the end of the reporting period.

(i) Impairment of non-financial assets

At the end of each reporting period the Company determines whether there is any evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the assets is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(k) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

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Australian Forest Products Association Limited

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Notes to the Financial Statements For the Year Ended 30 June 2015

1 Summary of Significant Accounting Policies continued

(k) Employee benefits continued

Contributions are made by the Company to an employee superannuation fund and are charged as expenses when incurred.

(l) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the company. The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in future reporting periods is set out below:

AASB 9: *Financial Instruments* (December 2014) and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

These Standards will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and include revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments, and simplified requirements for hedge accounting.

The key changes that may affect the company on initial application of and associated Amending Standards include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to the hedging of non-financial items. Should the company elect to change its hedge accounting policies in line with the new hedge accounting requirements of , the application of such accounting would be largely prospective

Although the directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

Australian Forest Products Association Limited

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Notes to the Financial Statements For the Year Ended 30 June 2015

2 Revenue and Other Income

	2015	2014
	\$	\$
- Rental income	112,717	91,142
- Project income	86,142	121,488
- Member subscriptions	1,768,477	1,399,363
- Other income	45,168	61,224
- Interest received	13,210	16,838
	<u>2,025,714</u>	<u>1,690,055</u>

3 Property, plant and equipment

	2015	2014
	\$	\$
Land & Buildings		
At independent valuation	1,655,000	1,655,000
Accumulated depreciation	(27,750)	-
Total land & buildings	<u>1,627,250</u>	<u>1,655,000</u>
Total land & buildings	<u>1,627,250</u>	<u>1,655,000</u>
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	53,182	53,182
Accumulated depreciation	(53,182)	(49,494)
Total plant and equipment	<u>-</u>	<u>3,688</u>
Furniture and fittings		
At cost	32,765	31,984
Accumulated depreciation	(32,089)	(31,984)
Total furniture and fittings	<u>676</u>	<u>-</u>
Office equipment		
At cost	103,541	102,792
Accumulated depreciation	(88,919)	(79,638)
Total office equipment	<u>14,622</u>	<u>23,154</u>
Total plant and equipment	<u>15,298</u>	<u>26,842</u>
	<u>1,642,548</u>	<u>1,681,842</u>

The Company's land and buildings were revalued at 30 June 2014 by independent valuers. Valuations were made on the basis of open market value in an arms length transaction based on similar properties. The revaluation surplus net of applicable deferred income taxes was credited to an asset revaluation reserve in shareholders' equity.

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Notes to the Financial Statements For the Year Ended 30 June 2015

3 Property, plant and equipment continued

Contingent Liability

Land and buildings are valued above at \$1,655,000. This includes a value in use for land at \$545,000. The land is provided by the ACT government for the use of AFPA under a nominal land rental arrangement. To extinguish the land rent a capital sum equivalent to the current market value of the land would have to be paid to the ACT government. Therefore AFPA does have a contingent liability equal to the market value of the land if it decides to extinguish the land rent or sell the site to a third party.

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Buildings	Plant and Equipment	Furniture, Fixtures and Fittings	Office Equipment	Total
	\$	\$	\$	\$	\$
Year ended 30 June 2015					
Balance at the beginning of year	1,655,000	3,688	-	23,154	1,681,842
Additions	-	-	781	749	1,530
Depreciation expense	(27,750)	(3,688)	(105)	(9,281)	(40,824)
Balance at the end of the year	1,627,250	-	676	14,622	1,642,548

	Buildings	Plant and Equipment	Furniture, Fixtures and Fittings	Office Equipment	Total
	\$	\$	\$	\$	\$
Year ended 30 June 2014					
Balance at the beginning of year	1,400,000	9,006	588	41,221	1,450,815
Disposals - written down value	-	-	-	(6,265)	(6,265)
Depreciation expense	-	(5,318)	(588)	(11,802)	(17,708)
Revaluation increase recognised in equity	255,000	-	-	-	255,000
Balance at the end of the year	1,655,000	3,688	-	23,154	1,681,842

Australian Forest Products Association Limited

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Notes to the Financial Statements For the Year Ended 30 June 2015

4 Cash and cash equivalents

	2015	2014
	\$	\$
Cash on hand	150	150
Cash at bank	614,715	265,638
Cash at bank and in hand	614,865	265,788
Short-term bank deposits	622,871	644,661
	<u>1,237,736</u>	<u>910,449</u>

Reconciliation of cash

Cash and Cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:

	2015	2014
	\$	\$
Cash and cash equivalents	<u>1,237,736</u>	<u>910,449</u>

5 Trade and other receivables

	2015	2014
	\$	\$
Trade receivables	101,815	48,022
Provision for impairment	(22,000)	(22,000)
	<u>79,815</u>	<u>26,022</u>

The following table details the Company's trade and other receivables exposure to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between the Company and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there is objective evidence indicating that the debt may not be fully repaid to the Company.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross amount	Past due but not impaired (days overdue)			
		< 30	31-60	61-90	> 90
	\$	\$	\$	\$	\$
2015					
Trade and term receivables and other debtors	79,815	5,944	4,986	68,885	-
Total	<u>79,815</u>	<u>5,944</u>	<u>4,986</u>	<u>68,885</u>	<u>-</u>
2014					
Trade and term receivables and other debtors	26,022	1,572	11,000	-	13,450
Total	<u>26,022</u>	<u>1,572</u>	<u>11,000</u>	<u>-</u>	<u>13,450</u>

Australian Forest Products Association Limited

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Notes to the Financial Statements
For the Year Ended 30 June 2015

5 Trade and other receivables continued

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

6 Tax

	2015	2014
	\$	\$
GST receivable	-	818

7 Prepayments

	2015	2014
	\$	\$
Prepayments	10,071	17,355

8 Trade and other payables

	2015	2014
	\$	\$
GST payable	50,730	-
Trade payables	55,315	106,544
Unearned income	-	3,300
Credit cards	12,942	-
Employee benefits	15,822	21,316
Accrued expenses	26,682	15,888
	<u>161,491</u>	<u>147,048</u>

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

9 Employee Benefits

	2015	2014
	\$	\$
Current liabilities		
Provision for employee benefits	44,861	50,188
	<u>44,861</u>	<u>50,188</u>

	2015	2014
	\$	\$
Non-current liabilities		
Long service leave	56,155	45,548

Australian Forest Products Association Limited

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Notes to the Financial Statements For the Year Ended 30 June 2015

10 Other liabilities

	2015	2014
	\$	\$
Plantation for Australia: The 2020 Vision Project	120,117	120,117
Forest Industry Herbicide Research Consortium	575,097	530,653
FSC Support	-	65,000
	<u>695,214</u>	<u>715,770</u>

11 Tenant Leasing Commitments

	2015	2014
	\$	\$
Minimum lease payments under non-cancelable operating leases:		
- not later than one year	78,163	78,163
- between one year and five years	81,600	81,600
	<u>159,763</u>	<u>159,763</u>

The company has entered into commercial property leases of its surplus office space. Lease payments are increased on an annual basis to reflect market rentals.

12 Financial Risk Management

Risk management is carried out by the Company's risk management committee under the delegated power from the Board of Directors. The Finance Manager has primary responsibility for the development of relevant policies and procedures to mitigate the risk exposure of the Company, these policies and procedures are then approved by the risk management committee and tabled at the board meeting following their approval.

Reports are presented at each Board meeting regarding the implementation of these policies and any risk exposure which the Risk Management Committee believes the Board should be aware of.

Specific information regarding the mitigation of each financial risk to which Company is exposed is provided below.

Specific financial risk exposures and management

The main risks Australian Forest Products Association Limited is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk.

Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Australian Forest Products Association Limited

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Notes to the Financial Statements
For the Year Ended 30 June 2015

12 Financial Risk Management continued

	Maturing within 1 Year	
	2014	2013
	\$	\$
Financial Assets:		
Cash and cash equivalents	<u>1,237,736</u>	<u>910,449</u>
Total Financial Assets	<u>1,237,736</u>	<u>910,449</u>

(i) Cash flow interest rate sensitivity

The Company is exposed to interest rate risk as funds are borrowed at floating and fixed rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

The Company's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At the reporting date, the Company is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +1.00% and -1.00% (2014: +1.00%/-1.00%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions.

	2015		2014	
	+1.00%	-1.00%	+1.00%	-1.00%
	\$	\$	\$	\$
Net surplus	<u>12,377</u>	<u>(12,377)</u>	<u>9,104</u>	<u>(9,104)</u>

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The utilisation of credit limits by customers is regularly monitored by line management. Customers who subsequently fail to meet their credit terms are required to make purchases on a prepayment basis until creditworthiness can be re-established.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Australian Forest Products Association Limited

ABN:40 008 621 510

Notes to the Financial Statements For the Year Ended 30 June 2015

13 Members' Guarantee

The Company is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$ 20 each towards meeting any outstandings and obligations of the Company. At 30 June 2015 the number of members was 39 (2014: 35).

14 Remuneration of Auditors

15 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2015 (30 June 2014:None).

16 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2015	2014
	\$	\$
Surplus/(deficit) for the year	334,517	(258,025)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation	40,824	17,708
- loss on disposal of property, plant and equipment	-	6,265
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	(53,793)	8,490
- (increase)/decrease in GST debtor	818	(818)
- (increase)/decrease in prepayments	7,284	(4,390)
- increase/(decrease) in income in advance	(20,556)	168,007
- increase/(decrease) in trade and other payables	(36,288)	(1,334)
- increase/(decrease) in GST creditor	50,730	-
- increase/(decrease) in employee benefits	5,280	6,681
Cashflow from operations	<u>328,816</u>	<u>(57,416)</u>

Australian Forest Products Association Limited

ABN:40 008 621 510

**Notes to the Financial Statements
For the Year Ended 30 June 2015****17 Events Occurring After the Reporting Date**

The financial report was authorised for issue on 24 August 2015 by the Board of Directors.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

18 Company Details

The registered office of and principal place of business of the company is:

Australian Forest Products Association Limited
24 Napier Close
Deakin ACT

Australian Forest Products Association Limited

ABN:40 008 621 510

Directors' Declaration

The directors of the entity declare that:

1. The financial statements and notes, as set out on pages 7 to 22, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Australian Accounting Standards; and
 - (b) give a true and fair view of the financial position as at 30 June 2015 and of the performance for the year ended on that date of the entity.
2. In the directors' opinion, there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director
David Andrew LeightonDirector
Gregory Henry McCormack

Dated 24 August 2015



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Liability limited by a scheme
approved under Professional
Standards Legislation

Australian Forest Products Association Limited

ABN:40 008 621 510

Independent Audit Report to the members of Australian Forest Products Association Limited

Report on the Financial Report

We have audited the accompanying financial report of Australian Forest Products Association Limited, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Forest Products Association Limited, would be in the same terms if given to the directors as at the time of this auditor's report.





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Standards Legislation

Australian Forest Products Association Limited

ABN:40 008 621 510

Independent Audit Report to the members of Australian Forest Products Association Limited

Opinion

In our opinion the financial report of Australian Forest Products Association Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Hardwickes

Hardwickes
Chartered Accountants

Robert Johnson FCA
Partner

Canberra

24 August 2015







CREDITS

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