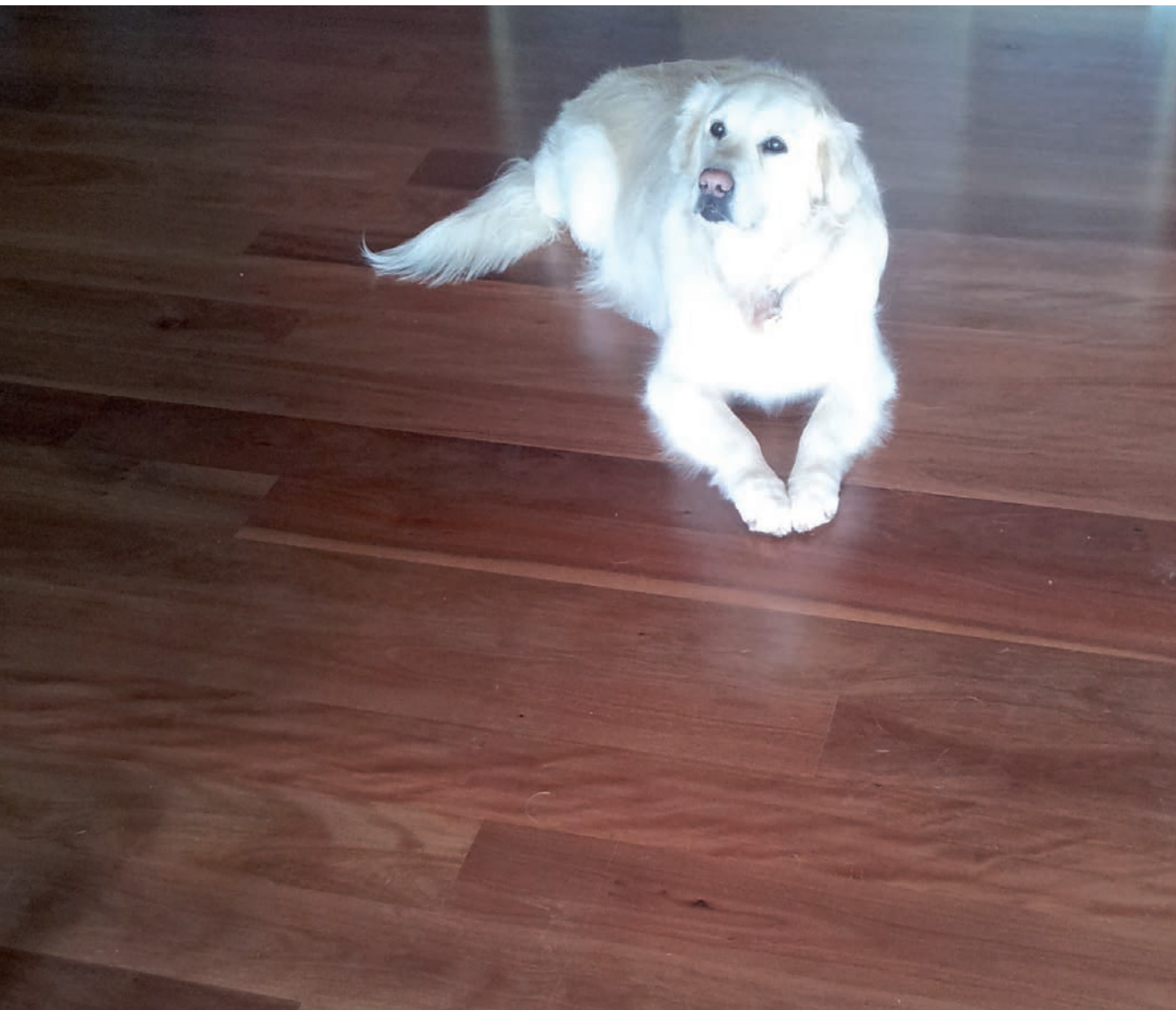


Annual Report

2012-13



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Chairman's Overview



The Industry has weathered another tough year but we do have cause for optimism.

Although balance sheets across the forest products industry will still make for very sobering reading on a number of fronts, I trust you agree, we find ourselves in a better place today than when I last reported a year ago.

The value of the Australian dollar has come back from the devastating highs of earlier in the year although it remains stubbornly higher than many economists predict its 'natural', level to be. If international stability returns quickly, we can be hopeful of more manageable exchange rates. The average value against the USD over the past 30 years, 20 years and 15 years is around A \$0.75.

There is some more activity in the marketplace and perhaps the signs of some green shoots as demand in Europe and the United States soaks up more forest products allowing us scope to grow.

There are still enormous challenges as you know.

Profitability has been savaged in recent years by our rigid and expensive industrial relations system and the high and increasing input costs we all face in regulatory burdens as well as energy and transport. The carbon tax is a threshold issue and we look forward to removal of this unnecessary burden from industry. And this brings me to AFPA.

At a time when public policy is being developed it is absolutely vital that your business is at the table helping ensure poor policy is not given life and good policy finds a home.

Our Association continues to play that role for us to enable us to go about building our markets.

A great deal of policy work was completed in the 12 months that this report covers with the Renewable Futures document being the seminal piece of work for the year. While policy is ever evolving it is particularly helpful to have a firm base to project from and this document certainly provides that.

Continuing on the policy front, our Association has made good hay in the pre-election sunshine and there are indications that at least some positive attention is being paid to our industry.

The noises at least suggest that the federal and state governments are growing less likely to ignore damage caused to us by unilateral policy announcements, and perhaps even be moving back towards understanding that thriving wood, timber and paper industries are vital for a vibrant sustainable regional Australia.

David Pollard resigned as CEO in April 2013 and Ross Hampton was appointed following an extensive executive search. Under David's leadership NAFI and A3P were bought together as a single national association and production of our roadmap of key issues for public policy makers and industry leaders were key achievements. He leaves the organization well positioned to take full advantage of forest, wood and paper products competitive strengths and renewability against other materials. I would like to thank David for his contribution.

Ross Hampton has brought renewed energy and perspective as CEO of AFPA and both he and the staff have performed very well throughout the year. We are entering a critical time in having our Industry's interests and credentials recognized by the new Government and having them incorporated into policies that are positive for our Industry throughout the budget and policy implementation processes.

It is essential that AFPA remains adequately resourced and supported by Industry if we are to achieve these goals.

Greg McCormack

Chairman

Chief Executive Officer's Report



I am delighted to be penning this message. We have just completed the second full year of operations of the Australian Forest Products Association (AFPA).

The first period of our Association's life, it is fair to say, was a time of necessary focus on the merger and the practicalities of bringing the two founding organisations together.

A great deal has been achieved in a short period, but in many ways the staff and leadership which came before me were operating in very challenging circumstances. They were 'flying the plane while building it'.

This was done so successfully that it created the environment by mid 2013 to allow us to pause to take stock of just where in the sky the (mostly built) plane now was. How high were we travelling? Which direction were we pointed? Which activities were taking us higher? Which were holding us back? Without real clarity in these areas we could find ourselves buffeted by short-term, but noisy, events or blown off course completely by larger shifts in our political operating environment.

A few months ago therefore I made space among the priorities to capture our key reason for being and the, necessarily short, list of vital 'enablers' of that vision.

Our Vision is now defined: "AFPA will have the most profound and positive impact on economic participation and public opinion of the forest, wood and paper products industry."

Our Strategy, which will bring that Vision to life, is that, "AFPA will be the leading voice on national public policy and social licence for the forest, wood and paper products industry."

We identified five key areas of operation at which AFPA must succeed?

- Be zealously member driven
- Be highly connected
- Build a high public profile
- Produce high quality policy
- Inculcate high performance in everything we do

This plan has provided the glasses through which we at AFPA try to judge every activity we suggest to ourselves, or are asked to undertake.

And it is delivering results.

For a nationally focused Industry Association a federal election is a 'once in a term' opportunity to drive relevance, profile and influence. It turbo charges the normal public policy processes.

Decisions are made and announced in these pre-election months which set policy frameworks for years to come.

Federal elections tick all AFPA's Strategy boxes. We were determined to leave 'nothing on the table' by the time voting day arrived.

The AFPA Board and staff worked tirelessly and speedily to ensure our timber trees, wood and paper industry's interests were heard and had influence.

As an apolitical organisation AFPA works 'across the aisle'. We will speak to any politician prepared to hear our arguments exposing poor policy settings, promoting the good ones and advocating new ideas.

AFPA produced a 'marginal and forestry seats' campaign covering twenty-one federal electorates. Media from across Australia reported on the survey. We elicited forest industries policy announcements from the major Parties. We were able to feed into the political dialogue a major paper demanding greater coordinated action and new funding for Research and Development. We were active in the debate over the role of our industries in a carbon-constrained economy.

In the coming year we are determined to remain laser-like in our focus on the 'big picture' policy needs of our industry. Key areas will be resource security and resource expansion, energy costs, sustainable regional jobs, transport costs, industrial relations, social licence, anti-dumping, a level playing field in regards to standards, re-energising research and development, carbon policy and water policy.

In the words of the AFPA Vision statement, we will strive to have the 'most profound and positive impact' for you our members.

The U.S. Apollo 13 Mission astronaut Jim Lovell once quipped, "there are three sorts of people; those who have things just happen to them, those who make things happen and those who ask 'what just happened?'"

AFPA is determined that we will be in the category of 'make things happen'.

I would like to publically thank the AFPA staff, Mick Stephens, Peter Grist, Gavin Matthew, Nigel Catchlove, Jo Angel and Alan Bunsell for the very long hours and high quality work.

I would also like to thank the members of AFPA Board for their encouragement and support.

Ross Hampton



1. AFPA Role and tasks

1.1 Objects

The constitution establishes a number of tasks for AFPA. Called 'objects', these tasks are:

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

1.2 Chambers

AFPA's Constitution establishes three Chambers;

- Resources Chamber
- Processing Chamber

➤ Pulp and Paper Chamber

Each of these chambers met four-times during 2012-13 and provides an architecture for information sharing between members who share common industry related interests.

1.2.1 Processing

AFPA's diverse processing chamber provided an active forum for discussion of industry wide and political issues affecting members with these interests. The economic and regulatory environment over the last year again has been complex and challenging for processing members including mostly a continuation of the high Australian dollar with a slight easing over the last few months, continuing low wood and paper product demand with some green shoots emerging, continued volumes of imported products especially impacting on market prices, and high input costs (including the impact of the carbon price on energy). The five key policy themes of most interest to the processing chamber continued to be:

- Competitiveness
- Carbon economy
- Industry image
- Resource security
- Market access

1.2.2 Resources

Priorities for AFPA's Resources Chamber included:

- Climate change, including opportunities for long-rotation plantations under the Carbon Farming Initiative and input on flawed methodologies to avoid the potential for perverse outcomes from draft



proposed native forest protection projects.

- Biosecurity, including membership of Plant Health Australia and the Emergency Plant Pest Response Deed, as well as participation in the Myrtle Rust transition to management program and development of the Plantation Forest Biosecurity Plan.
- Resource security including continued completion of the outstanding 5-year Reviews and developing a mechanism for extension of the Regional Forest Agreements.
- Certification including the development of the FSC Australia National Standard and the reviews of the Australian Forestry Standard Forest Management and Chain-of-Custody standards.
- Workplace Health and Safety which included setting up an Incident Recording Information System and monitoring the development of the Code of Practice for Managing Risk in Forestry Operations.
- Water rights, including the treatment of plantations under the National Water Initiative, Murray Darling Basin Plan and South Australian Water Allocation Plan.

the ongoing reform of the anti-dumping system. In particular, AFPA was working hard to advocating for sensible change in the Australian Government standard for recycled content office paper, ensuring the recognition of all legitimate waste streams in 'recycled content' and better sustainability outcomes.

For pulp and paper members the most important issues were:

- Procurement policies and practices;
- Trade/anti-dumping;
- Renewable energy, particularly opportunities for cogeneration and bioenergy;
- Longer term fibre supply; and
- R&D as part of the emerging bioeconomy.

1.2.3 Pulp and paper

As with the case for the processing chamber, it was a challenging year for pulp and paper members with the continued effects of a general economic downturn, a high exchange rate and imports from competitors that may not have the same high social and environmental standards as for domestic producers.

Considerable effort was put into improving responsible paper procurement policies within the Government sector as well as

2. Year in review 2012/13

This has been yet another challenging year for the industry. While there are promising signs in some aspects of the global economy, the financial year ends with a persistently high dollar and a regulatory and policy environment which in many cases undermines the industry's strength or competitive advantage.

Among other issues, the industry experienced:

- static or diminished housing starts;
- high imports fuelled by the high Australian dollar and contraction of markets elsewhere;
- high and rising energy costs and a continuation of a rigid industrial relations system affecting productivity; and
- a carbon tax on domestic producers.

The 3rd of June marked an historic milestone in implementing the Tasmanian Forests Agreement with the *Tasmanian*

Forests Agreement Act 2013 given Royal Assent. The Act paves the way forward to better position the forest industry for the future along with substantial conservation outcomes. The making of the Act also allowed for establishment of the Special Council. The Special Council will have a fundamental role in the implementation of the vision established in the Tasmanian Forests Agreement 2012 and maintaining its durability.

2.1 Corporate Governance Activities

During the reporting period, there were no changes to the Constitution.

- The Board must have a minimum of 3 Directors and no more than 9 Directors. The quorum for a meeting of the Board will be set at 4 Directors.



3. Governance

3.1 AFPA Board

3.2.1 AFPA Board Members

AFPA is governed by a membership-based Board, comprising nine Directors, each of whom have been elected 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 (Chair)
- Dr Hans Drielsma
- Mr Shane Vicary
- Mr Jim Henneberry
- Mr Scott Whicker
- Ms Lisa Marty
- Mr Cameron MacDonald
- Mr Ron Adams
- Mr Chris Hyne

3.2.2 AFPA CEO

Dr David Pollard was the CEO for most of the year, handing over to the new CEO, Mr Ross Hampton on 22 April 2013.

Mr Hampton has a Masters in public policy, majoring in the environment, from the ANU Crawford School of Economics and Government as well as a Bachelor degree from Curtin University.

The Chair, Mr McCormack paid tribute to outgoing CEO Dr David Pollard saying, 'David has done a very good job bringing together NAFL and A3P as a single national association and producing our roadmap of key issues for public policy makers and industry leaders.

He leaves the organisation well positioned to take full advantage of timber and

paper products competitive strengths and renewability against other materials.

3.2.3 AFPA Staff

AFPA has seven staff members of whom five work directly on policy issues and associated advocacy with government.

AFPA works predominantly at the Federal government level but also assists State based organisations in dealing with some State related issues.

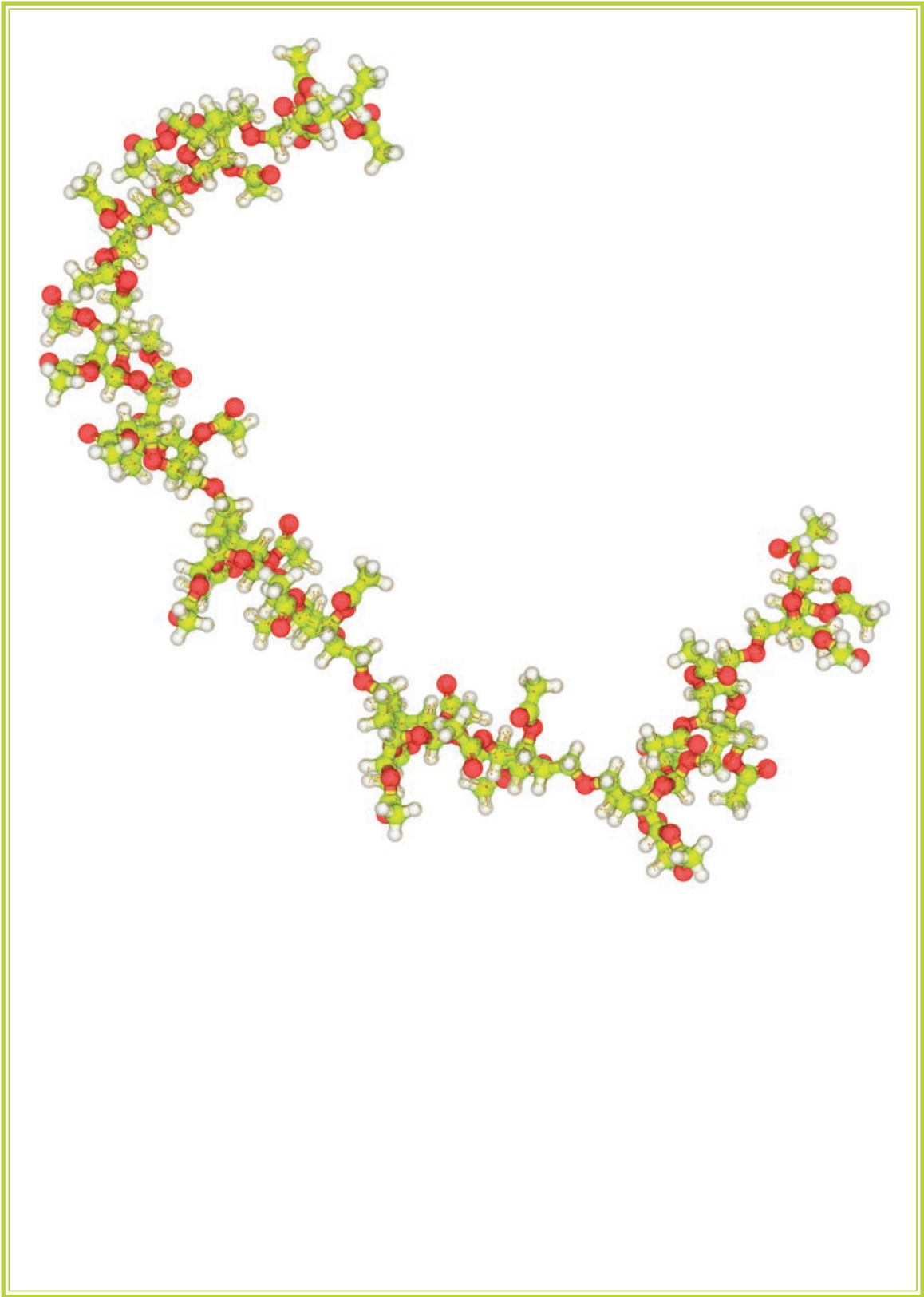
AFPA also represents the industry in a large number of ongoing administrative and policy activities which do not attract much attention but in which the industry's voice needs to be heard – like certification, plant health, national energy market reform (including network transmission and energy costs), bioenergy standards and dialogue around the Regional Forest Agreements.

The Association's staffing qualifications and experience are predominantly in the areas of forestry, economics, wood markets and public policy.

3.2.4 Memberships

AFPA plays a pivotal role through its membership of numerous policy forums and while AFPA is a member of both AFS and FSC, the CEO is also a member of:

- Australian Industry Greenhouse Network;
- Trade Remedies Forum;
- NSW Forest Industries Taskforce;
- Stakeholder Reference Group - National Water Commission
- National Centre for Future Forest Industries
- Tasmanian Forest Agreement Council



4. Key Policy Areas

4.1 Renewable future

AFPA released its 8 point plan for forestry policy in September 2012 which called for government and industry to partner in positioning 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 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, transparent planning processes and incentives for investment.

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

The forest, wood and paper products industries are a long term business, with commitments for investment and business planning required for decades. Secure long term access to available wood and fibre supplies is key to the development of the industry whether from sustainably managed forests or from recycled sources.

The Regional Forest Agreements (RFAs) have provided a national policy foundation for wood supply from naturally regenerated forests in Australia, recognising the dual role of state level policies and management plans accredited under the RFAs. AFPA has continued to work with Departmental officials administering the RFAs to ensure their effective implementation and commenced discussions with key policy makers regarding their ongoing renewal into the future – given the expiry of most RFAs within the next 5 to 10 years. The design of the renewal process of the current 20 year agreements between the Federal and state governments is essential to providing the resource security for ongoing investment by industry.

Another major issue is the lack of investment in new plantations in Australia, particularly following the financial collapse of many managed investment scheme companies and the lack of establishment of new long rotation plantations for producing sawlogs.

A new driver for commercial plantation expansion is needed to provide a secure future for the forest processing industry.

Plantations provide a number of environmental and social benefits beyond their commercial wood value. These include carbon sequestration and storage, water quality improvements and erosion control. However, these positive externalities cannot be traded in the current market, resulting in market failure though under-investment in plantation establishment. Considerable work has therefore gone into:

- strengthening the financial due diligence requirements for MIS arrangements, including extending their scope to target wholesale (corporate) investors;
- promoting full recognition of the carbon benefits and abatement

opportunities for commercial forests under the Carbon Farming Initiative; and

- the development of alternative direct schemes that may capture these non-market benefits.

4.2 Submissions

A major role of AFPA that is reflected in the Objects of the organisation is to act as the industry voice across a raft of policy areas. To that end AFPA has made a number of submissions to Government in financial year 2012/13.

- 9 March 2013. Submission to the Senate Standing Committee on Environment and Communications Inquiry into the Environment Protection and Biodiversity Conservation



Amendment (Retaining Federal Approval Powers) Bill 2012

- 17 January 2013. Submission to the Senate Committee on Environment and Communications investigation into recent trends in and preparedness for extreme weather events. The forest industry has significant experience and capacity in dealing with climate variability and the incidence of extreme weather events at an operational level. Furthermore, the industry is increasingly engaged in a number of collaborative research, capacity building and policy initiatives to more adequately manage for, and anticipate, these extreme events. AFPA strongly urges Governments at all levels to consider and support these types of initiatives and to adopt key recommendations as they relate to the forest industry and related industries and communities.
- 14 November 2012. Anti-dumping review.
- 14 November 2012. Comment on the Climate Change Authority (CCA) Renewable Energy Target (RET) Issues Paper (Paper).
- 29 October 2012. Submission on AGVET Legislation Amendments. AFPA sees considerable merit, in the Bill but, there remains significant uncertainty about whether the proposed Bill will achieve the aims, and be effective, equitable and efficient. The new Bill does not appear to provide any clear benefit to agvet chemical registrants and users, rather it will create unnecessary barriers, duplicate existing processes, and be inefficient. Overall the Bill in its current form is a bad outcome for agvet chemical registrants and users.
- 29 October 2012. Submission on New Biosecurity Legislation. AFPA and its members have a substantial interest in quarantine and biosecurity issues from pre-border, to border, to post border, and both exotic and endemic pests and diseases. This submission is made on behalf of industry, and builds on previous industry engagement on the Beale Review and via ongoing consultation with Government on biosecurity issues.
- 25 October 2012. Submission on the Draft NSW Renewable Energy Action Plan. The existing ban on the use of biomass harvested from native forests and associated processing residues for the production of bioenergy in NSW is counterproductive to the aims of the Draft NSW Renewable Energy Action Plan (the Plan) and to the principles of sustainable forest management more broadly.
- 10 September 2012. Green Building Code of Australia - Life Cycle Analysis. As Australia moves towards a low carbon future LCA is increasingly important. Frameworks such as the GBCA Green Star should recognise both embodied and operational energy. Australia is lagging behind other countries such as Canada and European countries in recognising and implementing LCA principles.
- 22 August 2012 Draft Code of Practice for Managing Risks in Forestry Operations. AFPA supports the harmonisation of workplace health and safety laws and the process to develop national codes of practice for specific industries.
- 20 April 2012. CFI Farm Forestry. The Farm Forestry Projects methodology accounts for only a portion of the carbon stored by the plantations. It should be expanded to recognise the multiple carbon sequestration and substitution benefits from harvested wood products.

4.2.1 *Position paper*

A position paper on Water Interception Policy and Plantation Policy was issued on 9 March outlining the need for balance in water allocation planning.

The paper explores a number of concerns that AFPA has about the proposed management of water intercepting activities by water planning authorities, in Australia, under the National Water Initiative and notes the need for a triple bottom line approach to water reform that optimises economic, social, and environmental outcomes, in a way that shares the risks of water reform in a balanced and equitable manner.

4.2.2 *Occasional paper*

Dr Pollard authored an Occasional paper on 24 October 2012 about Active Forest Management.

Active Forest Management is an approach which takes seriously the need to manage the forest estate on a whole-of-landscape basis. Only where we acknowledge that forests have to be managed for a variety of outcomes, can we put in place the range of incentives and management regimes appropriate to these.

Forests have an important role to play in the carbon economy in terms of providing renewable and minimally disruptive resources for manufacturing, construction and energy. The passive locking up of the natural forest estate in poorly managed parks and reserves does relatively little for the maintenance of biodiversity and much more could be accomplished from the active use of the whole of the landscape for a wide variety of outcomes – including biodiversity outcomes.

Planted forests, too, need to expand in line with the challenge of carbon sequestration. With the global economy set to double, the demand for forest outputs of all types is not going to go away. But we need a renewed

and active approach to the way in which we manage both the natural and the planted estate.

In all this, the irrational and ultimately destructive tactics of some of the environmental non-government organisations need to be assessed in an objective and holistic manner.

4.2.3 *Climate Change Adaptation*

A major collaborative project about adapting Australia's forests to cope with climate change culminated with production of a handbook providing important information for forest growers.

The Handbook was prepared by Mick Stephens from AFPA along with Libby Pinkard from CSIRO and Rod Keenan from the University of Melbourne. The project was supported by funding from the Australian Government Department of Agriculture, Fisheries and Forestry under its Australia's Farming Future Initiative.

The handbook is designed to provide initial guidance and insight into the topic of climate change adaptation as it relates to the forest based industry. The intended audience is forest industry planners, practitioners and other key decision makers with a direct interest in commercial aspects of future climate change risks and management responses. It covers:

- future climate scenarios;
- forestry and forest industry implications;
- possible impacts for forest regions;
- industry adaptation;
- enterprise level responses;
- approaches to uncertainty and risk management;
- barriers to adoption and uptake; and
- broader socio-economic issues.

4.3.4 Pulp and paper

Recycling. This was an important year that saw AFPA strongly endorse a plan by Australian Paper to build a major paper recycling facility at Maryvale to more than triple the volume of Australian made recycled paper.

Making paper in Australia creates local jobs and provides consumers with certainty about the standards of sourcing and manufacture.

The plant will more than triple Australian Paper's use of de-inked recycled fibre and divert up to 80 000 tonnes of waste paper from local landfill every year.

Advisory body. In October, AFPA welcomed the statement by the Minister for Industry and Innovation, the Hon Greg Combet AM MP, to form an advisory group for the pulp and paper industry.

It was planned that the advisory group would lay an important role in communicating the concerns of the pulp and paper industry to government as well as providing a direct link to the work of the Manufacturing Leaders Group.

The Pulp and Paper Industry Group presented its final report in 2010 which highlighted a strategy for removing policy impediments and promoting growth opportunities for pulp and paper manufacturing in Australia.

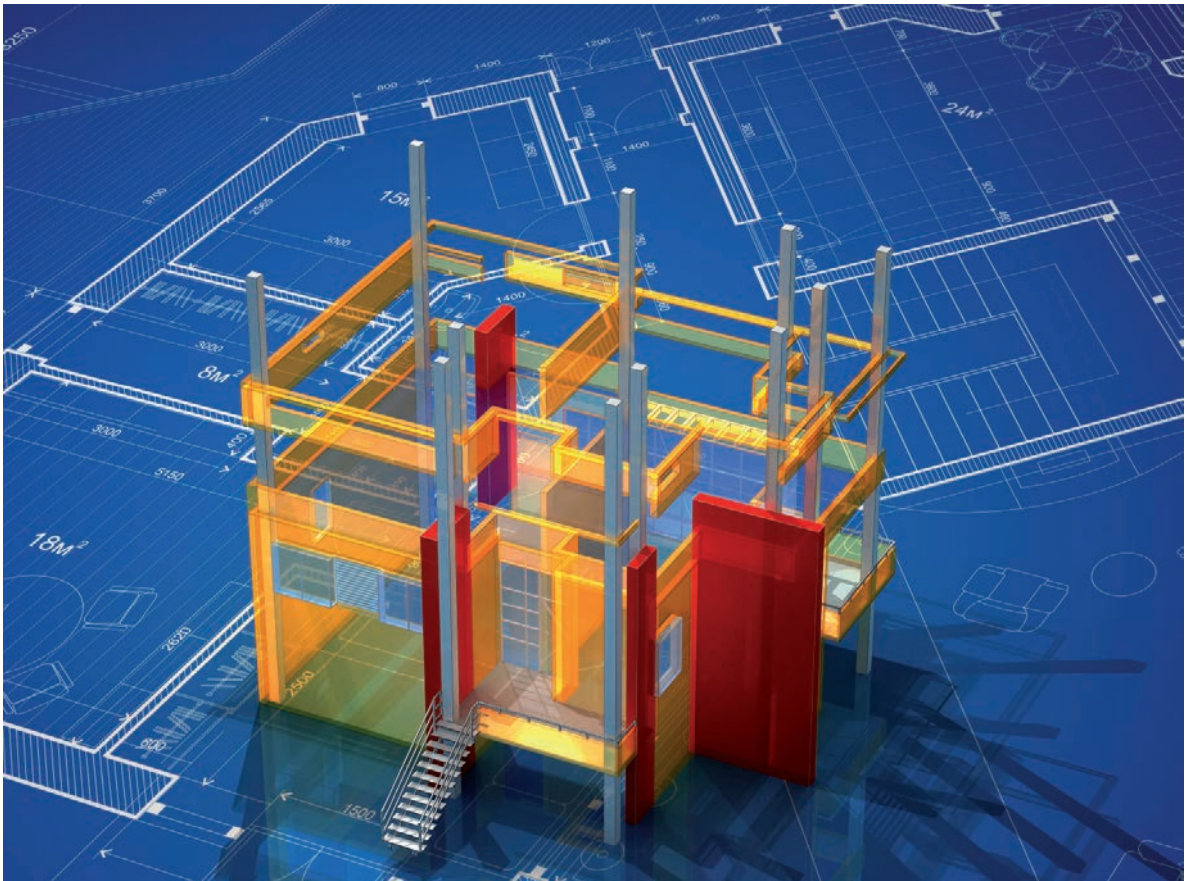
Coated paper. Similar good news was also announced by Norske Skog in September, with investment of \$84 million at its Boyer mill in Tasmania to enable production of coated paper grades, suitable for magazines and catalogues. This project will replace 140 000 tonnes of currently imported paper, improving our net trade position, as well as supporting over 300 direct and 900 indirect jobs plus a further 100 jobs during the construction phase.





Financial Performance

AFPA Financial Performance



Audit Report



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Liability limited by a scheme
approved under Professional
Standards Legislation

Australian Forest Products Association Limited

ABN:40 008 621 510

Auditor's 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 2013, 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

Dated

18 October 2013

Canberra



Annual Financial Report

Australian Forest Products Association Limited

ABN:40 008 621 510

Financial Statements

For the Year Ended 30 June 2013

Australian Forest Products Association Limited
ABN:40 008 621 510

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30 June 2013

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Australian Forest Products Association Limited

ABN:40 008 621 510

Directors' Report

30 June 2013

The directors present their report on Australian Forest Products Association Limited for the financial year ended 30 June 2013.

Directors

The names of the directors in office at any time during, or since the end of, the year are:

Names	Appointed/Resigned
Ronald John Adams	Appointed 18 October 2012
Lisa Kathleen Marty	Appointed 18 October 2012
Johannes Hendrick Drielsma	Appointed 14 April 2011
Gregory Henry McCormack	Appointed 31 October 1991
Terrence John Edwards	Appointed 17 October 2002 Resigned 18 October 2012
Cameron Alastair MacDonlad	Appointed 18 October 2012
James Alan Henneberry	Appointed 18 October 2012
Linda Kay Sewell	Appointed 14 April 2011 Resigned 18 November 2012
Christopher William Hyne	Appointed 15 November 2012
Ian James Telfer	Appointed 16 October 2010 Resigned 18 October 2012
David Andrew Leighton	Appointed 17 November 2011 Resigned 18 October 2012
Shane Michael Vicary	Appointed 17 November 2011
Terence Julian Mathers	Appointed 14 November 2011 Resigned 18 October 2012
Eric Ross Hearne	Appointed 18 October 2012 Resigned 30 June 2013
Christopher Cree Robertson	Appointed 17 Novemeber 2011 Resigned 18 October 2012

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

Information on 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	
Experience	Managing Director Wespine Industries Pty Ltd
Lisa Kathleen Marty	
Experience	Chief Executive Officer Victorian Association of Forest Industries
Johannes Hendrick Drielsma	
Experience	Former Executive General Manager Forestry Tasmania
Gregory Henry McCormack	
Experience	Director and Chariman McCormack Demby Timbers Midway Limited
Terrence John Edwards	
Experience	Chief Executive Officer Forest Industries Association of Tasmania
Cameron Alastair MacDonlad	
Experience	Chief Operating Officer Hancock Victorian Plantations Pty Ltd
James Alan Henneberry	
Experience	Chief Executive Officer Australian Paper

Australian Forest Products Association Limited

ABN:40 008 621 510

Directors' Report

30 June 2013

Information on directors continued

Linda Kay Sewell	
Experience	Chief Executive Officer Hancock Victorian Plantations Pty Ltd
Christopher William Hyne	
Experience	Director Hyne & Son Pty Limited
Ian James Telfer	
Experience	General Manager Woodchip Operations WA Plantation Resources Pty Ltd
David Andrew Leighton	
Experience	Regional President Australasia Norske-Skog
Shane Michael Vicary	
Experience	Chief Executive Officer AKD Softwoods
Terence Julian Mathers	
Experience	General Manager Australian Paper
Eric Ross Hearne	
Experience	General Manager Corporate Services Kimberly-Clark Australia
Christopher Cree Robertson	
Experience	Chief Executive Officer Manufacturing Hyne & Son Pty Ltd

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 activity of Australian Forest Products Association Limited during the financial year was

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

Australian Forest Products Association Limited

ABN:40 008 621 510

Directors' Report

30 June 2013

Objectives of the company

The Company's 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 affecting or having the potential to affect the viability of the industry using electronic and print media.

How principal activities assisted in achieving the objectives

The principal activities assisted the Company in achieving its objectives by:

- 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 affecting or having the potential to affect the viability of the industry using electronic and print media.

Australian Forest Products Association Limited
ABN:40 008 621 510

Directors' Report
30 June 2013

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 2013 there were 35 members (2012:35).

Operating results

The loss of the Company amounted to \$ (549,842) (2012: loss \$ (78,105)).

Meetings of directors

During the financial year, 8 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Ronald John Adams	5	5
Lisa Kathleen Marty	5	5
Johannes Hendrick Drielsma	8	8
Gregory Henry McCormack	8	8
Terrence John Edwards	3	3
Cameron Alastair MacDonlad	5	5
James Alan Henneberry	5	5
Linda Kay Sewell	3	2
Christopher William Hyne	4	4
Ian James Telfer	3	3
David Andrew Leighton	3	1
Shane Michael Vicary	8	6
Terence Julian Mathers	3	3
Eric Ross Hearne	5	3

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 2013 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:
Gregory Henry McCormack

Dated 18 October 2013

Australian Forest Products Association Limited

ABN:40 008 621 510

Statement of Comprehensive Income

For the Year Ended 30 June 2013

	2013	2012
	\$	\$
Rental income	86,670	90,537
Project income	135,133	127,804
Member subscriptions	1,285,604	1,645,131
Canadian study tour	231,035	-
Interest received	33,992	37,029
Other income	99,158	349,812
Employee benefits expense	(1,297,995)	(1,411,420)
Depreciation	(65,258)	(75,148)
Property costs	(93,292)	(86,006)
Project costs	(136,075)	(71,871)
Canadian study tour costs	(231,822)	-
Other expenses	(596,992)	(683,973)
Loss for the year	(549,842)	(78,105)
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Fair value adjustment to buildings	(257,500)	(200,000)
Total comprehensive income for the year	(807,342)	(278,105)

The accompanying notes form part of these financial statements.

Australian Forest Products Association Limited

ABN:40 008 621 510

Statement of Financial Position**As At 30 June 2013**

	Note	2013 \$	2012 \$
ASSETS			
CURRENT ASSETS			
Cash on hand	2	967,865	1,316,803
Accounts receivable and other debtors	3	34,512	112,685
Prepayments	4	12,965	41,724
TOTAL CURRENT ASSETS		1,015,342	1,471,212
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,450,815	1,768,716
TOTAL NON-CURRENT ASSETS		1,450,815	1,768,716
TOTAL ASSETS		2,466,157	3,239,928
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and other payables	5	148,386	148,525
Employee provisions	7	59,218	63,200
Other liabilities	6	547,758	539,970
TOTAL CURRENT LIABILITIES		755,362	751,695
NON-CURRENT LIABILITIES			
Employee provisions	7	29,837	-
TOTAL NON-CURRENT LIABILITIES		29,837	-
TOTAL LIABILITIES		785,199	751,695
NET ASSETS		1,680,958	2,488,233
EQUITY			
Capital contributions		311,838	311,771
Reserve for building development		-	36,000
Asset realisation reserve		787,625	1,045,125
Retained earnings		581,495	1,095,337
TOTAL EQUITY		1,680,958	2,488,233

The accompanying notes form part of these financial statements.

Australian Forest Products Association Limited

ABN:40 008 621 510

Statement of Changes in Equity

For the Year Ended 30 June 2013

2013

	Capital Contributions	Retained Earnings	Asset Realisation Reserve	General Reserves	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2012	311,771	1,095,337	1,045,125	36,000	2,488,233
Capital contribution during the year	67	-	-	-	67
Net deficit attributable to members	-	(549,842)	-	-	(549,842)
Revaluation increment (decrement)	-	-	(257,500)	-	(257,500)
Transfer within reserves	-	36,000	-	(36,000)	-
Balance at 30 June 2013	311,838	581,495	787,625	-	1,680,958

2012

	Capital Contributions	Retained Earnings	Asset Realisation Reserve	General Reserves	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2011	102,000	1,173,442	1,245,125	36,000	2,556,567
Capital contribution during the year	209,771	-	-	-	209,771
Net deficit attributable to members	-	(78,105)	-	-	(78,105)
Revaluation increment (decrement)	-	-	(200,000)	-	(200,000)
Balance at 30 June 2012	311,771	1,095,337	1,045,125	36,000	2,488,233

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 2013**

	2013	2012
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	1,828,714	2,304,606
Payments to suppliers and employees	(2,206,067)	(2,392,223)
Interest received	33,992	37,029
Canadian study tour expense	(231,822)	-
Goods and services tax paid	-	(86,051)
Receipt from Canadian study tour	231,035	-
Funds held in trust (net movement)	-	539,971
Net cash provided by (used in) operating activities	15 (344,148)	403,332
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(4,857)	(47,100)
Net cash used by investing activities	(4,857)	(47,100)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital contributions	67	209,771
Net cash used by financing activities	67	209,771
Net increase (decrease) in cash and cash equivalents held	(348,938)	566,003
Cash and cash equivalents at beginning of year	1,316,803	750,800
Cash and cash equivalents at end of financial year	2 967,865	1,316,803

The accompanying notes form part of these financial statements.

Australian Forest Products Association Limited

ABN:40 008 621 510

Notes to the Financial Statements

For the Year Ended 30 June 2013

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.

(b) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

(c) 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.

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.

Buildings

Buildings are measured using the revaluation model.

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 freehold land is depreciated on a straight-line method from the date that management determine that the asset is available for use.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Buildings	40 years
Plant and Equipment	5-10 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.

Australian Forest Products Association Limited

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Notes to the Financial Statements**For the Year Ended 30 June 2013****1 Summary of Significant Accounting Policies continued****(d) 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.

(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.

(e) 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.

(f) 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 year. 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.

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

(g) Income Tax

No provision for income tax has been raised as the Company is exempt from income tax under Div 50.40 of the *Income Tax Assessment Act 1997*.

Australian Forest Products Association Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2013

1 Summary of Significant Accounting Policies continued

(h) 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.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

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

Grant revenue is recognised in the statement of comprehensive income when the entity obtains control of the grant, it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

Interest is recognised using the effective interest method.

(i) 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 payable 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.

Australian Forest Products Association Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2013

1 Summary of Significant Accounting Policies continued (j) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these Standards. The following table summarises those future requirements, and their impact on the Company:

Standard Name	Effective date for entity	Requirements	Impact
AASB 9 Financial Instruments and amending standards AASB 2010-7 / AASB 2012-6	30 June 2016	Changes to the classification and measurement requirements for financial assets and financial liabilities. New rules relating to derecognition of financial instruments.	The impact of AASB 9 has not yet been determined as the entire standard has not been released.
AASB 1053 - Application of Tiers of Australian Accounting Standards and amending standards AASB 2010-2, AASB 2011-11, AASB 2012-1, AASB 2012-7 and AASB 2012-11	30 June 2014	This standard allows certain entities to reduce disclosures.	The entity is not adopting the RDR and therefore these standards are not relevant.
AASB 13 Fair Value Measurement. AASB 2011-8 - Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]	30 June 2014	AASB 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Accounting Standards but does not change when fair value is required or permitted. There are a number of additional disclosure requirements.	Fair value estimates currently made by the entity will be revised and potential changes to reported values may be required. The entity has not yet determined the magnitude of any changes which may be needed. Some additional disclosures will be needed.
AASB 2011-4 - Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	30 June 2014	Remove individual key management personnel disclosure requirements (i.e. components of remuneration) for disclosing entities.	The entity is not a disclosing entity and therefore this will have no impact. OR Since the entity is a disclosing entity, the KMP remuneration note in the financial statements will not include individual components of remuneration.

Australian Forest Products Association Limited

ABN:40 008 621 510

Notes to the Financial Statements

For the Year Ended 30 June 2013

1 Summary of Significant Accounting Policies continued

(i) New Accounting Standards and Interpretations continued

Standard Name	Effective date for entity	Requirements	Impact
AASB 119 Employee Benefits (September 2011) AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	30 June 2014	The main changes in this standard relate to the accounting for defined benefit plans and are as follows: - elimination of the option to defer the recognition of gains and losses (the 'corridor method'); - requiring remeasurements to be presented in other comprehensive income; and - enhancing the disclosure requirements.	Since the entity does not have a defined benefit plan, the adoption of these standards will not have any impact. OR Where the entity has a defined benefit plan, the impact of this standard should be calculated and disclosed.
AASB 2012-4 - Amendments to Australian Accounting Standards – Government Loans [AASB 1]	30 June 2014	Adds exception to retrospective application of Australian Accounting Standards for first time adopters.	No impact as these are not the first time adoption accounts for the entity.
AASB 2012-5 - Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2]	30 June 2014	AASB 1 - this standard clarifies that an entity can apply AASB 1 more than once. AASB 101 - clarifies that a third statement of financial position is required when the opening statement of financial position is materially affected by any adjustments. AASB 116 - clarifies the classification of servicing equipment. AASB 132 and Interpretation 2 - Clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with AASB 112 Income Taxes AASB 134 - provides clarification about segment reporting.	No expected impact on the entities financial position or performance.
AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039	30 June 2014	Removes reference to withdrawn Interpretation 1039.	No impact on the financial statements.

Australian Forest Products Association Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2013

2 Cash on hand

	2013	2012
	\$	\$
Cash on hand	150	150
Cash at bank	89,893	122,822
Term Deposit	877,822	1,193,831
	967,865	1,316,803

Included in the cash on hand is cash held on behalf of others - see note 6.

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:

	2013	2012
	\$	\$
Cash on hand	967,865	1,316,803
Balance as per statement of cash flows	967,865	1,316,803

3 Accounts receivable and other debtors

	2013	2012
	\$	\$
CURRENT		
Accounts receivable	34,512	112,685
Total accounts receivable and other debtors	34,512	112,685

The following table details the Company's accounts receivable and other debtors 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.

		Past due but not impaired (days overdue)			
	Gross amount	< 30	31-60	61-90	> 90
	\$	\$	\$	\$	\$
2013					
Accounts receivable and other debtors	34,512	6,196	4,000	11,116	13,200
Total	34,512	6,196	4,000	11,116	13,200
2012					
Accounts receivable and other debtors	112,685	11,494	-	71,395	29,796
Total	112,685	11,494	-	71,395	29,796

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

Australian Forest Products Association Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2013

- 3 Accounts receivable and other debtors continued**
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.

4 Prepayments

	2013	2012
	\$	\$
CURRENT		
Prepayments	12,965	41,724
	<u>12,965</u>	<u>41,724</u>

5 Accounts payable and other payables

	2013	2012
	\$	\$
CURRENT		
Accounts payable	117,879	101,749
Accrued expense	26,307	46,776
Unearned Income	4,200	-
	<u>148,386</u>	<u>148,525</u>

6 Other liabilities

	2013	2012
	\$	\$
CURRENT		
Plantation for Australia: The 2020 Vision Project	120,117	125,117
Forest Industry Herbicide Research Consortium	427,641	414,853
	<u>547,758</u>	<u>539,970</u>

7 Employee Benefits

	2013	2012
	\$	\$
CURRENT		
Long service leave	8,718	16,700
Provision for employee benefits	50,500	46,500
	<u>59,218</u>	<u>63,200</u>
	2013	2012
	\$	\$
NON-CURRENT		
Long service leave	29,837	-
	<u>29,837</u>	<u>-</u>

Australian Forest Products Association Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2013

8 Property, plant and equipment

Buildings		
At directors valuation	1,400,000	1,700,000
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	53,182	53,182
Accumulated depreciation	(44,176)	(38,858)
Total plant and equipment	9,006	14,324
Furniture and fittings		
At cost	32,830	32,830
Accumulated depreciation	(32,242)	(31,064)
Total furniture and fittings	588	1,766
Office equipment		
At cost	102,792	100,253
Accumulated depreciation	(61,571)	(47,627)
Total office equipment	41,221	52,626
Total plant and equipment	50,815	68,716
Total property, plant and equipment	1,450,815	1,768,716

The Building situated at 24 Napier Close, Deakin ACT was last revalued as at 30 June 2012. In 2013 based on prospective building sale research carried out by the board and the inclusion of a future asset betterment assessment if the building is sold the board believed that an impairment of approximately \$600,000 existed and revalued the building down to \$1,400,000.

(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 (Air Conditioners)	Furniture and Fittings	Office Equipment	Total
	\$	\$	\$	\$	\$
Year ended 30 June 2013					
Balance at the beginning of year	1,700,000	14,324	1,766	52,626	1,768,716
Additions	-	-	-	4,857	4,857
Depreciation expense	(42,500)	(5,318)	(1,178)	(16,262)	(65,258)
Impairment	(257,500)	-	-	-	(257,500)
Balance at the end of the year	1,400,000	9,006	588	41,221	1,450,815

Australian Forest Products Association Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2013

8 Property, plant and equipment continued

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

	Buildings	Plant (Air Conditioners)	Furniture and Fittings	Office Equipment	Total
	\$	\$	\$	\$	\$
Year ended 30 June 2012					
Balance at the beginning of year	1,950,000	19,642	2,944	24,178	1,886,265
Additions	-	-	-	47,100	47,100
Depreciation expense	(50,000)	(5,318)	(1,178)	(18,652)	(117,549)
Revaluation decrease recognised in income	(200,000)	-	-	-	(200,000)
Balance at the end of the year	1,700,000	14,324	1,766	52,626	1,615,816

9 Tenant Leasing Commitments

	2013	2012
	\$	\$
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	25,410	68,169
- between one year and five years	19,058	42,875
	44,468	111,044

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

10 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.

Australian Forest Products Association Limited

ABN:40 008 621 510

Notes to the Financial Statements**For the Year Ended 30 June 2013****10 Financial Risk Management continued****(a) 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:

	Maturing within 1 Year	
	2013	2012
	\$	\$
Financial Assets:		
Cash and cash equivalents	877,823	1,193,830
Total Financial Assets	877,823	1,193,830

(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% (2012: +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.

	2013		2012	
	+1%	-1%	+1%	-1%
	\$	\$	\$	\$
Net surplus	10,768	(10,768)	8,757	(8,757)

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 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.

Australian Forest Products Association Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2013

11 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 2013 the number of members was 35 (2012: 35).

12 Key Management Personnel Disclosures

The totals of remuneration paid to the key management personnel of Australian Forest Products Association Limited during the year are as follows:

	2013	2012
	\$	\$
Short-term employee benefits	50,812	269,338
Post-employment benefits	4,573	14,741
	55,385	284,079

13 Remuneration of Auditors

	2013	2012
	\$	\$
Remuneration of the auditor of the Company for:		
- auditing or reviewing the financial report	10,715	40,846
- other services	500	-

14 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2013 (30 June 2012:None).

15 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:

	2013	2012
	\$	\$
Profit for the year	(549,842)	(78,105)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation	65,258	75,148
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	78,173	4,990
- (increase)/decrease in prepayments	28,759	(23,396)
- increase/(decrease) in income in advance	(10,588)	-
- increase/(decrease) in trade and other payables	18,237	518,995
- increase/(decrease) in employee benefits	25,855	(94,300)
Cashflow from operations	(344,148)	403,332

Australian Forest Products Association Limited

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**Notes to the Financial Statements
For the Year Ended 30 June 2013****16 Events Occurring After the Reporting Date**

The financial report was authorised for issue on 18 October 2013 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.

17 Company Details

The registered office 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 6 to 21, 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 2013 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
Gregory Henry McCormack

Dated 18 October 2013



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Hardwickes Partners Pty Ltd
ABN 21 006 401 536

Liability limited by a scheme
approved under Professional
Standards Legislation

Australian Forest Products Association Limited

ABN:40 008 521 510

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 2013, the statement of 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.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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.



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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.

Opinion

In our opinion:

- (a) the financial report of Australian Forest Products Association Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Hardwickes

Hardwickes
Chartered Accountants

Robert Johnson FCA

Canberra

18 October 2013





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