

Annual Report

2013-14





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Chairman's Overview



By the time you read this AFPA will have conducted its first national industry confidence survey, to which you all contributed.

The overall result shows we are generally much more optimistic than anytime in the last several years. Although none of us are reaching for the champagne, after a run of such difficult years, those results are welcome news indeed.

The survey shows that about 70% of us are more optimistic about business in the coming year. The majority reported that sales will improve (yes off a very low base) and even, to a lesser extent, believe they will employ more staff. Whilst there was more mixed news when the survey was broken down by state, nowhere in the country were there fewer than 70% of us expecting green shoots to appear in coming months.

This is not before time. It doesn't mean we are out of the woods but perhaps we can see some sunlight ahead.

What would help blow more clouds away, as I have said often enough, is some saner monetary policy. The dollar has dropped from the excoriating heights of last year, but it is still too high for manufacturing to remain competitive in this country. The Reserve Bank of Australia has been too shy of saying this, whilst our competitor nations have been far bolder.

Energy policy is also crying out for more public intervention. Manufacturing is facing a looming crisis as gas prices, driven by export contracts, skyrocket over the next few years. AFPA and other industry groups have been calling for some official acknowledgement of this as a short to medium term national crisis. Industry Minister Ian Macfarlane has recently been making more reassuring noises that the Government is taking notice.

Over the last few years there were many enterprises calling for a business environment with fewer policy surprises. Whilst AFPA is scrupulously bipartisan, we did therefore join with those congratulating the Abbott Government on its strong win in the September General Election and calling for this to be a precursor to a more stable investment climate.

When the carbon tax was repealed AFPA, like most industry Associations, congratulated the new Government as it was a cost on business not being borne by our import competitors.

Clearly the new Senate is however providing this Government with almost the equal of the challenges of the minority government of the last term. Whilst the upper house is certainly a place for review and, let's hope, improvement of legislation, it is not good for business to have the budget process completely derailed. It is not good for business to observe piece-meal, niche policy making, seemingly on the run. The new Senators have not had long in the job and are under enormous pressure. AFPA will be doing all we can to assist them as they seek to make the right calls for the nation.

AFPA has campaigned hard on two high level national goals on our behalf this year. We have been demanding that our industries find their way into some sort of national government thinking and policy making – most obviously through a process to develop a 'National Fibre and Forestry Plan.' Agriculture has its White Paper process but Forestry has been excluded. And yet the Plantations Vision 2020 policy gathers dust and is far from on track, to name just one example.

Secondly, AFPA has mounted a highly visible campaign to draw the public and Government's attention to the parlous state of our national Research and Development capability. AFPA produced a model called the '*National Institute for Forest Products Innovation*' to drive the conversation and pushed hard for funding. Considering the challenging budget environment it is not without surprise that AFPA has not been successful yet. What is now certain, however, is that the Government, Opposition, the research community and many members of the public now appreciate that our industries have the potential to play a big part in our national future prosperity. They also understand that we therefore must have the conversation about the models of infrastructure which will support these possibilities.

I have been honoured to serve as Chair of the AFPA Board in the last year. I thank my fellow directors and the AFPA staff for their service.

Greg McCormack

Chair

Chief Executive Officer's Report



This third full year for the Australian Forest Products Association has been a year of consolidation and growth. A year when the primary focus was able to shift from internal restructuring and budget repair to, fully firing, external advocacy.

In the lead up to the September 2013 election AFPA played itself into the national conversation through a strong 'marginal seats' campaign and direct intervention into policy debates (particularly focusing on the ability of forestry to support climate change policies). The pace has scarcely lessened since that time. AFPA has driven hard to try to ensure that our industry is heard in the formation of the budget and other related decisions. We have had several policy 'wins' delivering real and tangible bottom line benefit to the business of all members.

We remain laser like in our focus on the five pillars which underpin all our activities. That is 'High Quality Policy', 'High Public Profile', 'Member Driven', 'High Performance' and 'Highly Connected'.

These 'pillars' support our AFPA Vision which says we '**will have the most profound and positive impact on economic participation and public opinion of the forest, wood and paper products industry.**'

In deciding this '*cri de coeur*' the AFPA team very deliberately bundled our full value chain into 'industry' singular – not plural.

For indeed that is our greatest strength.

As you know, AFPA now includes all the State Associations and State Owned Forestry Enterprises. We also encompass all the major players in the native forestry and the plantation sector, a great number of the hardwood and softwood processing companies, the key big pulp and paper companies as well as management companies and timber treatment firms.

In short when AFPA speaks we speak for the 'industry which uses wood fibre'.

We can legitimately demand sensible policy development for a \$22 billion dollar segment of the economy which employs some 80,000 people – largely in regional Australia (triple that number indirectly). This is a very powerful position.

Everyone recognises that the trade off for a powerful national, combined advocacy group, able to rub shoulders with the policy making giants in Canberra, is a small diluting of the sector specific niche touch.

The big question for AFPA members is; "Is the leap of faith paying off?"

The answer, I believe, is emphatically yes.

AFPA now has the clout to fill the Great Hall in Parliament House and have the Prime Minister of Australia speak. We can take on a poor policy and gain a sensible reversal – think recycled paper, biosecurity cost recovery or the attack on the diesel fuel tax rebate. We can sit at the table with the biggest industry advocates in mining, farming, business or groceries and be treated as an equal.

We can conduct an industry wide survey or commission a report (think bushfires, plantations, business confidence), and have everyone from analysts at ABARES and Government Department heads to State and Federal Ministers poring over our results.

When we appear before Parliamentary committees and inquiries we are carefully listened to and the media takes note of our opinions.

In doing so they are effectively listening to you.

This is what you have achieved by seeking the greater good and a national combined fibre chain industry group.

With your support we will continue to defy gravity in the coming year.

I would like to thank the hard working, professional and dedicated AFPA team of Ms Jo Angel, Mr Mick Stephens, Mr Nigel Catchlove, Mr Peter Grist and Mr Gavin Matthew.

I would also like to thank the AFPA Board, especially our Chair Mr Greg McCormack, which has provided the team so much strategic direction and encouragement to think big.

Ross Hampton

Chief Executive Officer

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 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

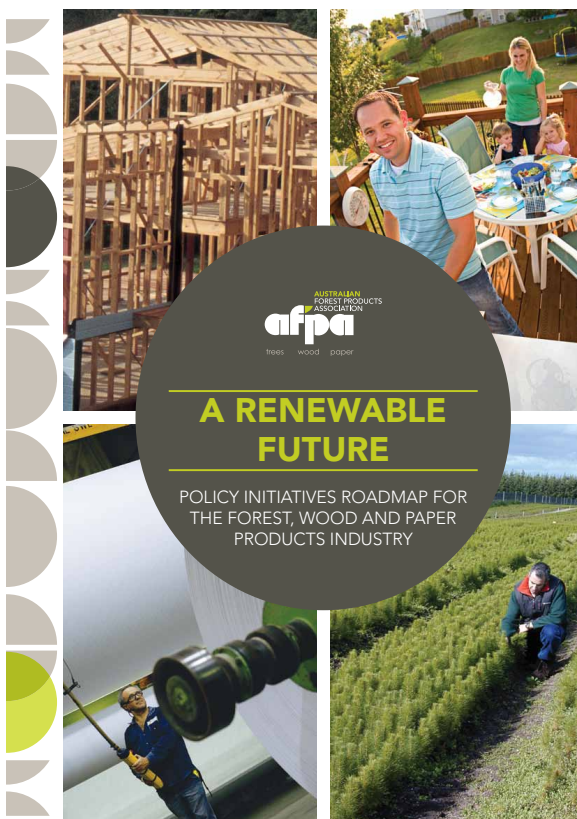
Deliver a better regulatory environment and a new program of direct action for the commercialisation of carbon sequestration in forests and forest products through payments for carbon storage and greater use of biomass for renewable energy.

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 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.

1.3 Chambers

AFPA's Constitution establishes three Chambers:

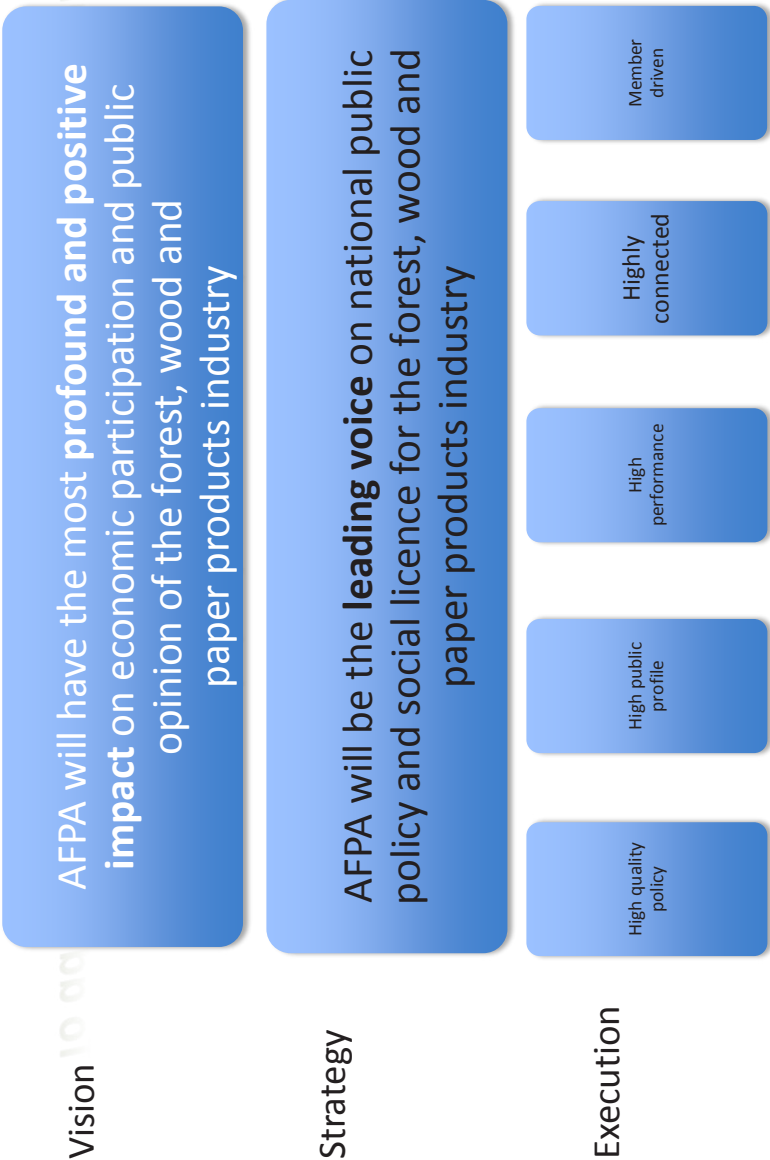
- Resources Chamber.
- Processing Chamber.
- Pulp and Paper Chamber.

Each of these chambers met regularly during 2013-14 and they provide an architecture for information sharing between members who share common industry related interests.

Processing

- The Processing Chamber has a diverse membership including hardwood and softwood saw millers, wood product processors, engineered wood product producers, hardwood and softwood woodchip and log exporters, forest contractors, and other State industry associations.
- Australian forest based 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, our forest based processing industries can help satisfy this demand with renewable products, while providing significant economic development and regional jobs.
- At their very core, our forest based processing industries are based on a biological resource supplied and renewed by the sun. The manufacturing components of the industry represent up to 6 per cent of total manufacturing value added in Australia, directly supporting 62 000 jobs.
- The Chamber will shape, prioritise and drive processing sector national policy (or policy with national ramifications)

Our Mission:
To advance the forest, wood and paper products industry



development for the benefit of the Industry;

- Members will use the Chamber as a vehicle for effective and efficient communication between the processing sector;

National policy issues include:

- Industry Image;
- Market Access;
- Resource Security;
- Carbon Economy; and
- Competitiveness

Pulp and paper

- The Australian pulp and paper industry is a diverse sector producing a range of paper and paperboard products, including tissue papers, printing and writing papers, newsprint and packaging papers (such as linerboards for cartons and bag and wrapping papers). In 2012-13, total production of paper and paperboard in Australia was just over 3 million tonnes.
- The Australian pulp and paper industry is rightly 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 economic and social benefits of the pulp and paper industry are significant, providing many skilled jobs in addition to economic activity and income in many regions across Australia. The domestic pulp and paper industry directly employs around 18 000 people in both outer metropolitan and regional areas. The sales turnover for the pulp and paper sector averages around \$9.6 billion per year and the wood and paper products industry collectively represents around 6 per cent of total manufacturing value added in Australia.

- For example, Australian Paper is the largest private employer in Victoria's Latrobe Valley, and contributes more than \$750 million annually to Australia's GDP and supports over 5900 flow-on full time jobs. The Kimberly-Clarke Australia tissue mill in Millicent, South Australia, directly supports 400 employees and contractors as well as up to 1000 direct and indirect jobs in the region. The Norske Skog paper mill in Boyer, Tasmania, supports over 300 direct and 900 indirect jobs as part of its \$84 million investment in diversification 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.

Key policy priorities of the Pulp and Paper Chamber included:

- trade and anti-dumping;
- national energy policy, including renewable energy policy;
- climate change policy;
- illegal logging regulation, to curb illegally sourced imports;
- Australian Government procurement policy, particularly with respect to environmental sustainability and recycling guidelines for copy paper;
- innovation and manufacturing competitiveness; and
- certification.

Resources

- Australia's forest estate extends over 125 million hectares in all states and territories.
- The plantation estate of 2 million hectares is split almost evenly between softwood and hardwood. Plantations provided over 80 per cent of total wood production, or around 19 million cubic metres in 2012-13. There has been a major shift in ownership of the plantation resource over the past two decades with private

ownership of plantations increasing from less than 30 per cent in 1990 to over 80 per cent in 2014.

- The native forest estate covers 123 million hectares of native forests, although wood production restricted to 9.4 million hectares of multiple-use public forests. Of this, less than 80 000 ha are harvested annually, representing around 0.8 per cent of Australia's multiple-use public forests, or 0.06 per cent of the total forest area. In 2012-13, around 3.5 million cubic metres were harvested from native forests.
- The AFPA Resources Chamber covers all of the major plantation owners and Government Business Enterprises managing native forests, as well as leading environmental services (carbon plantation), forestry MIS and plantation management services companies. Combined, Resource Chamber members own and manage around 80 per cent 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 of production of \$1.6 billion and provides 15 000 jobs. This supports the processing sector which delivers a total value of industry sales of \$22 billion annually and creates a further 62 000 jobs.

Key policy priorities of the Resources Chamber include:

- Biosecurity — as a signatory to the Emergency Plant Pest Response Deed to monitor plant pest incursion ensure industry has a seat at the table in deciding the response to an emergency plant pest incursion.
- Water rights— ensuring that plantations are treated fairly relative to other sectors in state water policies and the Murray Darling Basin Plan.
- Certification — ensuring voluntary industry forest management standards are fair and workable for industry.
- Expanding the plantation resource — including the development of methodologies under the Carbon Farming Initiative, to enable wood plantations to participate in the Emissions Reduction Fund.
- Resource Security — seeking quick conclusion to the outstanding Regional Forest Agreement reviews and development of a renewal mechanism to extend the RFA for a further 20 years.

2. Year in review

The federal political scene saw election of a Coalition Government with the Hon Tony Abbott MP as Prime Minister. The subsequent change in portfolio management saw the Hon Barnaby Joyce appointed as the Minister for Agriculture with Senator Richard Colbeck the Parliamentary Secretary to the Minister with special responsibilities for the forestry sector.

The Prime Minister addressed an industry dinner on 4 March 2014 for over 600 industry participants hosted by AFPA and ForestWorks. The dinner was widely reported, in particular the Prime Minister's speech.

Advocacy has continued on a range of issues focused on improving business conditions for the forest products industry by streamlining government policy and regulations. Specific advocacy efforts have focused on Government support for industry focused pure and applied research and development. A proposal for coordinating the research and development already occurring in Australia was outlined by AFPA, called the *National Institute for Forest Products Innovation*. This is included in more detail later in this annual report.

2.1 Corporate governance activities

During the reporting period, AFPA made several changes to its Constitution at the Extraordinary General Meeting on 11 June. Amendments to the Constitution of the Company (AFPA) were presented to the meeting in the form of a special resolution.

The key amendments were:

- to increase the number of Directors being nominated to the Board for election to four;
 - to increase the term of Directors nominated by the Board from one year to two years;
 - to allow Directors nominated by the Board and elected by the full Members to retire by rotation on a two year cycle in the same manner as Directors nominated by Chambers;
 - to fill a casual vacancy of a retiring Director, however occurring, for the remainder of the term of the retiring Director. Previously casual vacancies for Directors could only be filled until the next occurring Annual General Meeting;
 - to amend that section of the Constitution regarding the election of Office Bearers by deleting an ambiguity which provided for these appointments by the Annual General Meeting (Clause 27(c)) and elections by Members of the Board (Clause 21(b));
 - to eliminate transitional clauses necessary for the creation of AFPA and now no longer relevant; and
 - to replace gender specific words in the Constitution.
-
- to increase the number of Directors from nine to ten;
 - to amend the appointment of Directors by the Elected Board to the Board nominating suitable persons with the appropriate skills for election at the Annual General Meeting;

AFPA Board



- 1. Mr Craig Dunn
- 2. Mr Shane Vicary
- 3. Mr Greg McCormack (Chair)
- 4. Mr Cameron MacDonald
- 5. Mr John Treddinick
- 6. Mr Ron Adams
- 7. Mr Chris Hyne



Mr Andrew Leighton
(Vice-Chair)



Ms Lisa Marty

3. Governance

3.1 AFPA Board

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)
- Mr Andrew Leighton
- Dr Hans Drielsma (until 4 Nov 2013)
- Mr Jim Henneberry (until 14 Feb 2014)
- Mr Scott Whicker (until 14 Nov 2013)
- Mr Craig Dunn (from 5 Mar 2014)
- Mr Shane Vicary
- Ms Lisa Marty
- Mr Cameron MacDonald
- Mr Ron Adams
- Mr John Tredinnick (from 16 Nov 2013)
- Mr Chris Hyne
- Mr Ross Hearne (until 8 Jul 2013)

3.2 AFPA staff

Mr Ross Hampton is the Chief Executive Officer. He leads and manages a team of six staff members of whom four work directly on policy issues and associated advocacy with government.

Staff work predominantly at the Federal government level but also contribute, in cooperation with State organisations, on some State related issues with federal implications.

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



Ross Hampton CEO AFPA

market reform (including network transmission and energy costs), bioenergy standards, and dialogue around the Regional Forest Agreements.

AFPA also represents the industry at some international fora and in this year AFPA was present at COP19, the United Nations Climate Change Conference in Warsaw, Poland.

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

In July, the Strategic Policy Manager, Mr Mick Stephens undertook a study tour of fuel reduction policies and strategies to reduce forest fire risk in Canada and the United States as part of a 2013 Gottstein Fellowship.



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, and maintain and create new membership opportunities. Communication pathways include:

- Daily media monitoring,
- All-member emails distributed by Communications Manager on policy issues and issues of interest across the industry e.g. budget brief 2014,
- Video communications directly to members by CEO and Chamber Managers'
- Formalised Chamber meetings three or four times per year (underpinned by comprehensive papers),

- AFPA's website,
- Social media,
- Interviews, and
- Opinion pieces.

4.1 Website

A new AFPA website was made live on 12 May 2014. The website is at www.ausfpa.com.au

4.2 Social media

AFPA has over 400 'followers' on Twitter and uses its social media channels of Twitter and YouTube to keep followers up to date with breaking news and new trends in forest product news from around the world.

4.3 Opinion pieces

Opinion pieces are regularly written by the AFPA CEO for publication in mainstream media or dissemination to industry via appearance on the AFPA website and Twitter. They cover topics as diverse as fire management, research and development industry employment and economic value.

4.4 Media releases

In 2013-14 AFPA distributed 46 media releases. Most of these are related to Federal issues. Coverage from these media releases included television, radio and press interviews as well as trade publications. They remain an important tool for the organisation to raise its profile and to reach out to wider industry and policy decision makers.

4.5 Campaign

During the federal election campaign of 2013, AFPA conducted a marginal seat campaign to raise the profile of forestry issues in marginal seats and those with a significant forest products profile. Candidates in 21 seats across six states were quizzed on 11 key questions designed to elicit their support for forestry and forest related industries. In most cases these industries underpin a large part of the economic activity and regional jobs in their electorate. These seats helped determine the make-up of the current federal government.

The AFPA marginal seats campaign targeted the following electorates.

NSW Eden-Monaro, Page, Farrer, Lyne

Vic Corangamite, Gippsland, Wannon, Indi

Qld Forde, Leichhardt, Dawson

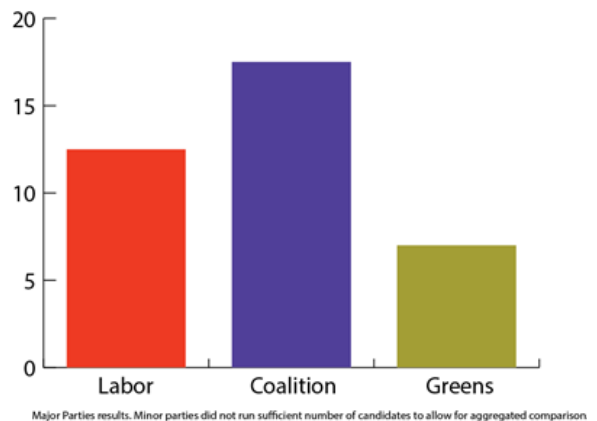
WA Forrest, Canning, Pearce

SA Mayo, Barker

Tas Braddon, Bass, Franklin, Lyons, Denison

Results of the survey were published on the AFPA website, supported with media releases aimed specifically at regional media. Media coverage was achieved in all States.

Results of marginal and forestry seats survey



5. Selected Policy Areas

5.1 Agvet Chemicals Bill

Agvet chemical regulation impacts on the whole forest industries supply chain from herbicides for forest growers, timber preservative chemicals for timber products, and chemicals used in engineered wood products and paper manufacturing processes. Chemical use is critical to maintaining and improving our industry's productivity and competitiveness to meet Australia's wood fibre and product needs into the future.

The new Government recently passed legislation to amend the existing Act to address re-registration and minor use concerns. Further the Government has delivered on its election commitment to fund a minor use and specialty crops program and allocated \$8 million to underpin the program.

AFPA engages at multiple points on chemical regulation reform including: speaking directly to the Department; continuing our dialogue with Agricultural Pesticides and Veterinary Medicines Authority and; providing comment on Bills as they progress through Parliament; and directly engaging with the Government taskforce charged with reducing red tape and reform.

5.2 Research and Development

AFPA implemented a strategy which raised the profile of the *National Institute for Forest Products Innovation* through all levels of state and federal governments, the forest industry and allied industry sectors, through direct lobbying, as well as a series of media releases, opinion pieces and letters to the editor.

The Institute is modelled on similar organisations in Canada and New Zealand.

AFPA proposed that the federal Government invest \$40 million over 4 years, the State

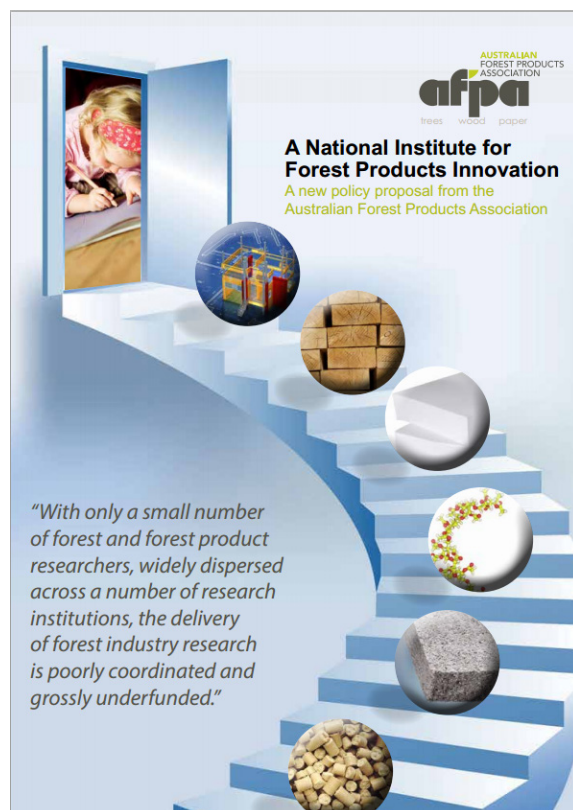
Governments contribute the same through existing operations and budgets and industry contribute \$20 million.

All six state Governments have thrown their weight behind AFPA's push for a *National Institute for Forest Products Innovation*.

Research and Development has nose-dived in recent years. Five years ago the Government spent \$100 million a year – now it is \$30 million. 730 researchers has dropped to about 200.

AFPA produced modelling which showed that a concerted organised and properly funded focus on R&D has the potential to deliver up to 20 000 new jobs – largely in regional areas,

The goal was for the Federal Government to include funding for the National Institute in the May 2014 budget. However the Budget forecast deep spending cuts across all sectors, and the R&D sector was not immune. AFPA will continue to press for funding for the National Institute through new and existing government



programs and leveraging the state's support for the proposal.

5.3 Illegal Logging

AFPA supports efforts to address illegal logging, as it distorts the market and places Australian producers at a competitive disadvantage, and undermines international efforts to address climate change, good governance and the stability of regional ecosystems. In this regard, AFPA recognises the policy intent of the Australian Government to curb the risk of illegally sourced forest products entering Australia.

While AFPA supports such a policy, it is equally important that any measures put in place to address illegal imports do not place unnecessary and costly compliance requirements on local Australian producers who are already subject to the highest legal and regulatory standards.

The Illegal Logging Prohibition Amendment Regulation 2013 passed into law in Australia in 2013. The requirements of this Regulation apply to importers of 'regulated timber products' and most domestic processors of raw logs in Australia. These requirements will commence on 30th November 2014.

5.4 Gas Pricing

AFPA has joined with other associations efforts on the looming issue of increased domestic gas pricing due to overseas pricing parity. AFPA recently wrote an editorial on this subject: "*To reserve or not to reserve? The gas elephant in the room*

The sound of whistling you may be hearing is the sound of Australian liquefied natural gas rushing off our shores. If you can't quite hear it just wait a bit.The answer? Energy exporters naturally explode at the notion, but most peak industry bodies - including AFPA - argue we must have a domestic reserve scheme or a variation on that theme."

5.5 Export Certification

New Export Legislation Amendment Bills 2014 recently passed through Parliament. The Bills give Government the ability to level quantity charges, and fees on export industries not currently liable under the existing Act (exporters of cut flowers, dried fruit, fodder, nursery stock, nuts, seeds, timber products, tissue culture and rabbit and ratite meat).

The Bills themselves do not impose the new fees and charges rather this detail will be contained the associated Regulations. The Government has indicated the Bills are for cost recovery of their national operations and to ensure equity across exporting industries.

Industry concerns were:

- a. The impost caused by the detail of these new Bills on timber product exporters is unexpected, unplanned, unbudgeted and will be especially injurious if not delayed; and
- b. Normal expected consultation by the Department with affected timber product exporters on the detail of the proposed Bills (and the subsequent Regulations) to both understand the impacts and to discuss valid differences of the timber product export trade, has not occurred.

AFPA will continue to engage with the Department of Agriculture, relevant Ministers and affected industry to ensure the context of our industry is understood during the upcoming fee review and incorporated in the resulting tonnage fee charging framework.

5.6 Antidumping

AFPA will continue to directly engage with the Minister and Department of Industry regarding the further reform and review of the antidumping system, with the intent to further improve the antidumping system making it more accessible, efficient and effective. AFPA also continues to engage with the new

Australian Anti-Dumping Commission, which commenced on the 1 July 2013.

AFPA is also a member of the existing International Trade Remedies Forum, with other key stakeholders including a broad cross-section of industry, which directly advises the government on policy reform.

5.7 State of the Forest Report

Australia's world leading sustainable forest management practices were validated by the release of the State of the Forest Report 2013 (SOFR) in early 2014. The SOFR reported no reduction in the area of rainforest, multiple-use public forest, or forest in any of the RFA regions over the past five years. The report also revealed that no forest dwelling species has become extinct over the past fifteen years, to the contrary, 21 forest dwelling species were removed from the threatened species list over the past five years. However, serious shortfalls in plantation investment, increasing restrictions on access to native forest resources and diminishing investment and capacity to undertake research and development were noted in the report.

5.8 Water Policy

State governments continue the process to integrate the objectives of the National Water Initiative (NWI) into their water policies. AFPA continues to monitor these state processes and has made numerous representation both directly and through the public consultation processes, pushing for equitable treatment of plantations and other forestry activities.

South Australia has been the first State to implement state water policies under the NWI, officially adopting the Lower Limestone Coast Water Allocation Plan in November 2013, with changes to plantation water licensing from 1 July 2014. This singles out plantations as a significant water interceptor. While existing plantations are granted water allocations, replanting post-harvest is treated as land-use change and requires plantation owners to obtain

a water use licence. This is inconsistent with the principles of the National Water Initiative, which requires the equitable treatment of all land-users and policy that is not retrospective. AFPA is working to ensure that other state water agencies do not adopt similar conflicting policies as the South Australian model.

5.9 Certification

AFPA continues to engage with, and support all credible, independent Sustainable Forestry Management and Chain of Custody Certification systems to progress sustainable forest management and recognition along the supply chain. AFPA is a member of both the Forest Stewardship Council Australia (FSC) and Australian Forestry Standard/Programme for Endorsement of Forest Certification (PEFC) and actively participates in their processes, reviews and standard development.

FSC has begun the development of the National Forestry Stewardship Standard (NFSS). AFPA is participating as a member of the Standard Development Group (SDG) to ensure that the standard is fair and workable for forest managers. The first draft of the FSCA National Forestry Standard was officially released on 29 May, with the public consultation period extending 60 days to 25 July.

AFS Ltd and Standards Australia finalised and released the newly revised AS 4708 (forest management certification standard) in late 2013. AFPA participated in the revision of the standard as a member of the Standard Reference Committee. AFS Ltd are working through some minor issues in aligning AS4708 with the PEFC meta-standard in an effort to gain endorsement from PEFC. Work is continuing on the review of AS4707 Chain of custody for certified wood and forest products. AFPA is involved as a member of the Standard Review Committee.

5.10 Procurement

Procurement policy, in terms of Government criteria and purchasing decisions for paper and

fibre based products, remains an AFPA priority. Recent activity has focused on deficiencies in two key areas:

- a lack of recognition of the high social and environmental standards of domestic products compared to many imports, particularly in the Australian Government's implementation of its sustainable procurement guideline, and
- the mandatory recycling standards for office copy paper contained in the Australian Governments ICT Sustainability Plan.

AFPA is currently focusing attention on procurement issues. These include the high social and environmental standards for domestic products relative to many imports. These standards are often not the same as for imports 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.

AFPA also submitted detailed comment and met with the recent Senate Committee on the Inquiry into Commonwealth Procurement Procedures (a report was tabled in July 2014).

5.11 Recycling

AFPA also provided input into the review of the Australian Government's Information and Communications Technology (ICT) Sustainability Plan 2010-2015, which sets out actions and guidelines to assist agencies better manage the environmental footprint of the ICT products they procure and use, including paper. In 2012-13, we identified a serious flaw in the mandatory environmental standard (ES4) for recycled content office copy paper contained in the Plan. AFPA, in conjunction with its members, other industry stakeholders and the unions, consequently advocated for the revision of the standard. The outdated standard contributed to poor sustainability outcomes by not adequately recognizing all applicable waste streams and effectively discriminated against domestic producers by not adopting the AS/

NZS ISO 14021 standard for recycled content used elsewhere in the Plan. The Australian Government subsequently revised the standard in August 2013 which has been a positive step toward promoting better paper recycling and a consistent approach for Government procurement of copy paper.

5.12 NSW Biomass Regulations

The NSW Government's policy on the use of native forest biomaterial for electricity generation is implemented through the *Protection of the Environment Operations (General) Regulation 2009*, specifically, clauses 96-98. These clauses prohibit the use of native forest biomaterials in electricity generation, but exempt certain types of native vegetation or woody waste from the definition of native forest biomaterials. Material exempted from the definition can be burned for the purpose of electricity generation.

The NSW State government was acting as a blockage in the formulation of consistent national regulatory outcomes. Following significant industry advocacy (including AFPA) in NSW, positive amendments have been made to the exemptions through the *Protection of the Environment Operations (General) Amendment (Native Forest Bio-materials) Regulation 2013*, which commenced on 7 March 2014. This Regulation provides for the exemption of two additional types of native forest biomaterials, which are:

- a. Invasive native species (INS) legally cleared in accordance with a property vegetation plan (PVP); and
- b. Certain materials resulting from forestry operations carried out on land to which an Integrated Forestry Operations Approval (IFOA) as well as debris from clearing carried out in accordance with a private native forestry PVP.



Annual Financial Report

Australian Forest Products Association Limited

ABN:40 008 621 510

Financial Statements

For the Year Ended 30 June 2014

Australian Forest Products Association Limited
ABN:40 008 621 510

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For the Year Ended 30 June 2014

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Australian Forest Products Association Limited

ABN:40 008 621 510

Directors' Report For the Year Ended 30 June 2014

The directors present their report on Australian Forest Products Association Limited for the financial year ended 30 June 2014.

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 12 October 2012

Johannes Hendrick Drieslma

Date Appointed 14 April 2011

Date Resigned 4 November 2013

Geoffrey Craig Dunn

Date Appointed 5 March 2014

Eric Ross Hearne

Date Appointed 30 August 2012

Date Resigned 8 July 2013

James Alan Henneberry

Date Appointed 29 August 2012

Date Resigned 14 February 2014

Christopher William Hyne

Date Appointed 15 November 2012

David Andrew Leighton

Date Appointed 20 November 2013

Lisa Kathleen Marty

Date Appointed 8 October 2012

Cameron Alastair MacDonald

Date Appointed 25 September 2012

Gregory Henry McCormack

Date Appointed 1 November 1991

John William Tredinnick

Date Appointed 16 November 2013

Shane Michael Vicary

Date Appointed 5 January 2012

Australian Forest Products Association Limited

ABN:40 008 621 510

Directors' Report**For the Year Ended 30 June 2014****Directors continued**

Scott Henry Whicker

Date Appointed

8 July 2013

Date Resigned

14 November 2013

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;
- 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

Australian Forest Products Association Limited

ABN:40 008 621 510

Directors' Report

For the Year Ended 30 June 2014

Objectives of the company continued
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 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 2014 there were 39 members (2013:35).

At 30 June 2014 the collective liability of members was \$ 780 (2013: \$ 700).

Operating results

The loss of the Company amounted to \$ (258,025) (2013: loss \$ (549,842)).

Meetings of directors

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

Australian Forest Products Association Limited
ABN:40 008 621 510

Directors' Report
For the Year Ended 30 June 2014

Meetings of directors continued

	Directors' Meetings	
	Number eligible to attend	Number attended
Ronald John Adams	6	5
Johannes Hendrick Drieslma	3	3
Geoffrey Craig Dunn	1	1
ER Hearne	-	-
James Alan Henneberry	4	4
Christopher William Hyne	6	5
David Andrew Leighton	3	1
Lisa Kathleen Marty	6	5
Cameron Alastair MacDonald	6	6
Gregory Henry McCormack	6	6
John William Tredinnick	3	3
Shane Michael Vicary	6	4
Scott Henry Whicker	3	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 2014 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.....


.....

Director:David Andrew Leighton.....


.....

Dated 22 August 2014



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PO Box 322 Curtin ACT 2605

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F 02 6282 5933

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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

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 2014, 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: 22 August 2014

Canberra

Australian Forest Products Association Limited

ABN:40 008 621 510

**Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2014**

		2014	2013
	Note	\$	\$
Revenue and other income	2	1,690,055	1,871,592
Canadian Study Tour costs		-	(231,822)
Depreciation	3	(17,708)	(65,258)
Employee benefits expense		(1,154,933)	(1,297,995)
Other expenses		(525,670)	(596,992)
Project costs		(112,201)	(136,075)
Property costs		(137,568)	(93,292)
Profit before income tax		(258,025)	(549,842)
Income tax expense	(c)	-	-
Deficit for the year		(258,025)	(549,842)
Other comprehensive income:			
Fair value adjustment to buildings		255,000	(257,500)
Other comprehensive income for the year, net of tax		255,000	(257,500)
Total comprehensive income for the year		(3,025)	(807,342)

The accompanying notes form part of these financial statements.

Australian Forest Products Association Limited

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Statement of Financial Position

30 June 2014

		2014	2013
	Note	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	910,449	967,865
Trade and other receivables	6	26,022	34,512
Current tax receivable	7	818	-
Prepayments	8	17,355	12,965
TOTAL CURRENT ASSETS		954,644	1,015,342
NON-CURRENT ASSETS			
Property, plant and equipment	3	1,681,842	1,450,815
TOTAL NON-CURRENT ASSETS		1,681,842	1,450,815
TOTAL ASSETS		2,636,486	2,466,157
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	147,047	148,386
Employee benefits	10	50,188	59,218
Other liabilities	11	715,770	547,758
TOTAL CURRENT LIABILITIES		913,005	755,362
NON-CURRENT LIABILITIES			
Employee benefits	10	45,548	29,837
TOTAL NON-CURRENT LIABILITIES		45,548	29,837
TOTAL LIABILITIES		958,553	785,199
NET ASSETS		1,677,933	1,680,958
EQUITY			
Capital contributions		-	311,838
Asset realisation reserve		1,042,625	787,625
Retained earnings		635,308	581,495
TOTAL EQUITY		1,677,933	1,680,958

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 2014****2014**

	Capital Contributions	Retained Earnings	Asset Revaluation Reserve	General Reserves	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2013	311,838	581,495	787,625	-	1,680,958
Net deficit attributable to members	-	(258,025)	-	-	(258,025)
Revaluation increment (decrement)	-	-	255,000	-	255,000
Transfer within reserve	(311,838)	311,838	-	-	-
Balance at 30 June 2014	-	635,308	1,042,625	-	1,677,933

2013

	Capital Contributions	Retained Earnings	Asset Revaluation 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 reserve	-	36,000	-	(36,000)	-
Balance at 30 June 2013	311,838	581,495	787,625	-	1,680,958

The accompanying notes form part of these financial statements.

Australian Forest Products Association Limited

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**Statement of Cash Flows
For the Year Ended 30 June 2014**

	2014	2013
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	2,030,833	1,828,714
Payments to suppliers and employees	(2,105,087)	(2,206,067)
Interest received	16,838	33,992
Canadian Study Tour Expenses	-	(231,822)
Receipts from Canadian Study Tour	-	231,035
Net cash provided by (used in) operating activities	17 (57,416)	(344,148)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	-	(4,857)
Net cash used by investing activities	-	(4,857)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital Contributions	-	67
Net cash used by financing activities	-	67
Net increase (decrease) in cash and cash equivalents held	(57,416)	(348,938)
Cash and cash equivalents at beginning of year	967,865	1,316,803
Cash and cash equivalents at end of financial year	5 910,449	967,865

The accompanying notes form part of these financial statements.

Australian Forest Products Association Limited

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Notes to the Financial Statements**For the Year Ended 30 June 2014**

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) 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) 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).

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.

(e) 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.

Australian Forest Products Association Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(e) Goods and Services Tax (GST) continued

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.

(f) 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.

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.

(g) 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.

Australian Forest Products Association Limited

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Notes to the Financial Statements**For the Year Ended 30 June 2014****1 Summary of Significant Accounting Policies continued****(g) Financial instruments continued**

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.

(h) 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.

(i) 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.

(j) 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

Australian Forest Products Association Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(j) Employee benefits continued

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.

(k) 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 2012-2 - Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities [AASB 132 & AASB 7]	30 June 2014	Requires the inclusion of information about the effect or potential effect of netting arrangements.	There is no impact on disclosures as there are no offsetting arrangements currently in place.
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.
AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132]	30 June 2015	This standard adds application guidance to AASB 132 to assist with applying some of the offset criteria of the standard.	There will be no impact to the entity as there are no offsetting arrangements currently in place..

2 Revenue and Other Income

	2014	2013
	\$	\$
- Rental income	91,142	86,670
- Project income	121,488	135,133
- Member subscriptions	1,399,363	1,285,604
- Canadian study tour	-	231,035
- Other income	61,224	99,158
- Interest received	16,838	33,992
	1,690,055	1,871,592

Australian Forest Products Association Limited

ABN:40 008 621 510

Notes to the Financial Statements**For the Year Ended 30 June 2014****3 Property, plant and equipment**

	2014	2013
	\$	\$
Land & Buildings		
At independent valuation	1,655,000	1,400,000
Total land & buildings	1,655,000	1,400,000
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	53,182	53,182
Accumulated depreciation	(49,494)	(44,176)
Total plant and equipment	3,688	9,006
Furniture and fittings		
At cost	31,984	32,830
Accumulated depreciation	(31,984)	(32,242)
Total furniture and fittings	-	588
Office equipment		
At cost	102,792	102,792
Accumulated depreciation	(79,638)	(61,571)
Total office equipment	23,154	41,221
Total plant and equipment	26,842	50,815
	1,681,842	1,450,815

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.

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.

Australian Forest Products Association Limited

ABN:40 008 621 510

Notes to the Financial Statements

For the Year Ended 30 June 2014

3 Property, plant and equipment continued

(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 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

	Buildings	Plant and Equipment	Furniture, Fixtures 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

4 Result for the Year

The result for the year includes the following specific expenses:

	2014	2013
	\$	\$
Other expenses:		
Net loss on disposal of property, plant and equipment	6,265	-
Superannuation contributions	89,670	92,751

5 Cash and cash equivalents

	2014	2013
	\$	\$
Cash on hand	150	150
Cash at bank	265,638	89,893
Cash at bank and in hand	265,788	90,043
Short-term bank deposits	644,661	877,822
	910,449	967,865

Australian Forest Products Association Limited

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Notes to the Financial Statements**For the Year Ended 30 June 2014****5 Cash and cash equivalents continued****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:

	2014	2013
	\$	\$
Cash and cash equivalents	<u>910,449</u>	<u>967,865</u>

6 Trade and other receivables

	2014	2013
	\$	\$
Trade receivables	48,022	34,512
Provision for impairment	(22,000)	-
	<u>26,022</u>	<u>34,512</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.

	Past due but not impaired (days overdue)				
	Gross amount \$	< 30 \$	31-60 \$	61-90 \$	> 90 \$
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>
2013					
Trade and term receivables and other debtors	34,512	6,196	4,000	11,116	13,200
Total	<u>34,512</u>	<u>6,196</u>	<u>4,000</u>	<u>11,116</u>	<u>13,200</u>

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.

Australian Forest Products Association Limited
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Notes to the Financial Statements
For the Year Ended 30 June 2014

7 Tax

	2014	2013
	\$	\$
GST receivable	818	-

8 Prepayments

	2014	2013
	\$	\$
Prepayments	17,355	12,965

9 Trade and other payables

Trade payables	106,544	117,879
Unearned income	3,300	4,200
Employee benefits	21,315	-
Accrued expenses	15,888	26,307
	<u>147,047</u>	<u>148,386</u>

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

10 Employee Benefits

	2014	2013
	\$	\$
Current liabilities		
Long service leave	-	8,718
Provision for employee benefits	50,188	50,500
	<u>50,188</u>	<u>59,218</u>

	2014	2013
	\$	\$
Non-current liabilities		
Long service leave	45,548	29,837

11 Other liabilities

	2014	2013
	\$	\$
Plantation for Australia: The 2020 Vision Project	120,117	120,117
Forest Industry Herbicide Research Consortium	530,653	427,641
FSC Support	65,000	-
	<u>715,770</u>	<u>547,758</u>

Australian Forest Products Association Limited

ABN:40 008 621 510

Notes to the Financial Statements**For the Year Ended 30 June 2014****12 Tenant Leasing Commitments**

	2014	2013
	\$	\$
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	78,163	25,410
- between one year and five years	81,600	19,058
	<u>159,763</u>	<u>44,468</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.

13 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:

	Maturing within 1 Year	
	2014	2013
	\$	\$
Financial Assets:		
Cash and cash equivalents	<u>910,449</u>	<u>967,865</u>
Total Financial Assets	<u>910,449</u>	<u>967,865</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

Australian Forest Products Association Limited

ABN:40 008 621 510

Notes to the Financial Statements

For the Year Ended 30 June 2014

13 Financial Risk Management continued

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% (2013: +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.

	2014		2013	
	+1.00%	-1.00%	+1.00%	-1.00%
	\$	\$	\$	\$
Net surplus	9,104	(9,104)	10,768	(10,768)

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.

14 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 2014 the number of members was 39 (2013: 35).

15 Remuneration of Auditors

	2014	2013
	\$	\$
Remuneration of the auditor of the Company, Hardwicks Chartered Accountants, for:		
- auditing or reviewing the financial report	11,150	10,715

16 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2014 (30 June 2013:None).

Australian Forest Products Association Limited

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Notes to the Financial Statements**For the Year Ended 30 June 2014****17 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:

	2014	2013
	\$	\$
Deficit for the year	(258,025)	(549,842)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation	17,708	65,258
- 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	8,490	78,173
- (increase)/decrease in GST debtor	(818)	-
- (increase)/decrease in prepayments	(4,390)	28,759
- increase/(decrease) in income in advance	168,007	(10,588)
- increase/(decrease) in trade and other payables	(1,338)	18,237
- increase/(decrease) in employee benefits	6,681	25,855
Cashflow from operations	<u>(57,420)</u>	<u>(344,148)</u>

18 Events Occurring After the Reporting Date

The financial report was authorised for issue on 22 August 2014 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.

19 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 20, 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 2014 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.

DirectorGregory Henry McCormack.....

DirectorDavid Andrew Leighton.....

Dated 22 August 2014



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Liability limited by a scheme
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Standards Legislation

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 2014, 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.

Opinion

In our opinion the financial report of Australian Forest Products Association Limited is in accordance with the *Corporations*





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

Act 2001, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2014 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

R Johnson

Robert Johnson FCA
Partner

Canberra

22 August 2014



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