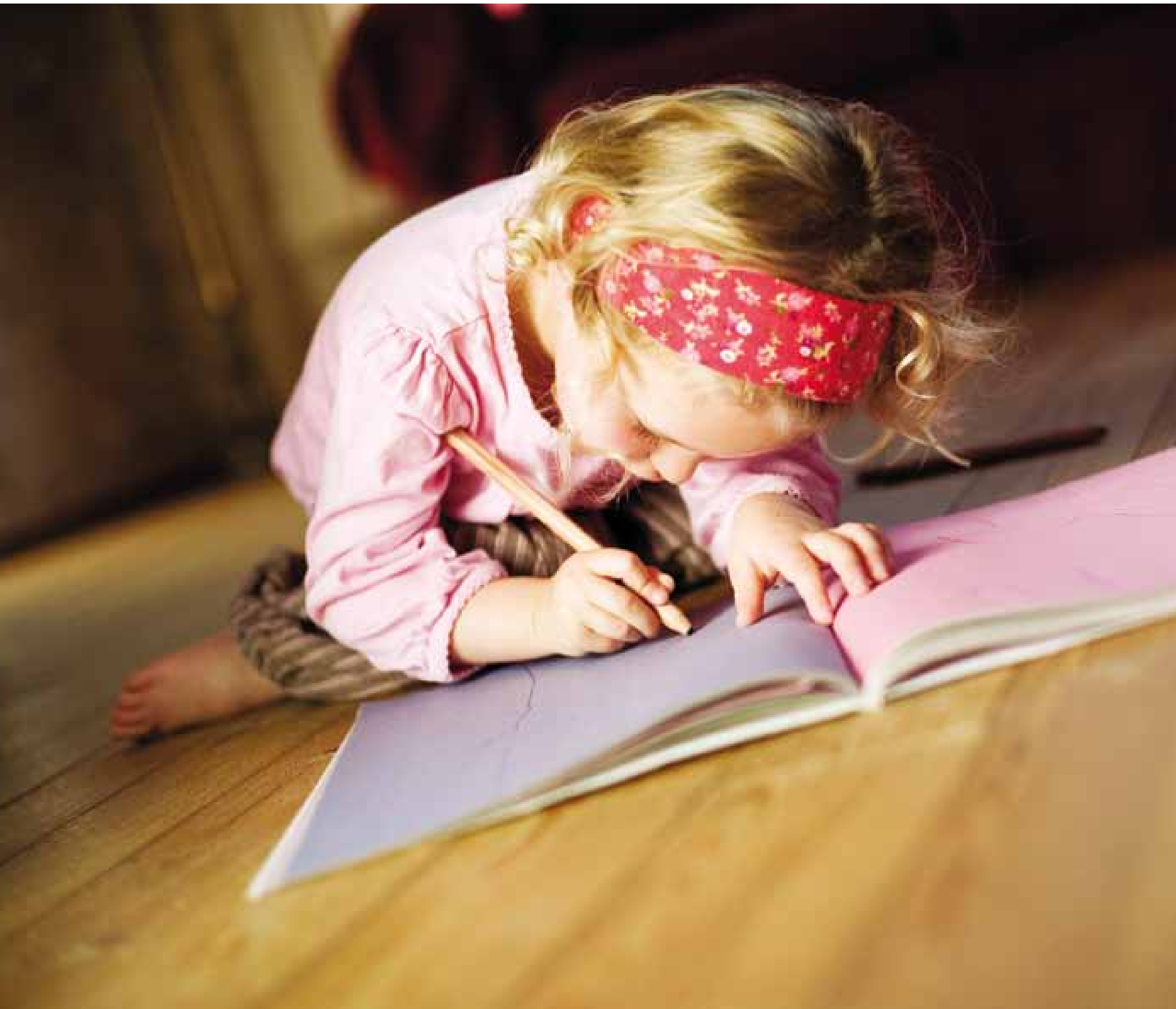
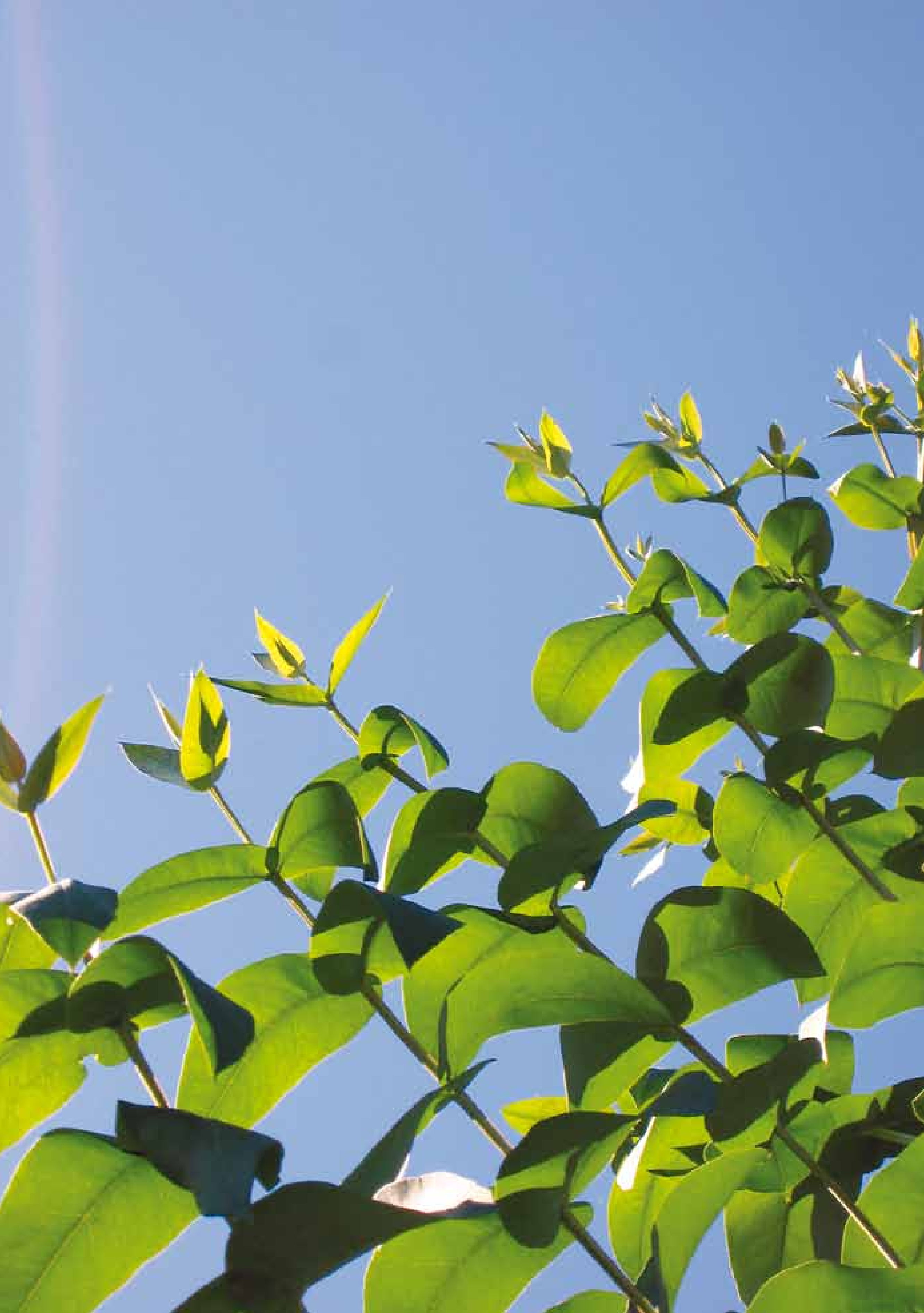
Annual Report

2011-12





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Chairman's Overview

We have just completed our first full year of operation as a united industry association. In many respects, the range of issues we inherited from the two former associations has continued to receive attention and that is a good thing. Much of the work done by the association is aimed at long term solutions to complex problems. These are not amenable to quick fixes but require patient policy work, the application of research and taking policy makers in the Parliament and in Departments through the industry's view to achieve good public policy.

The year has been dominated by the tough market conditions faced by all elements of the industry. The high Australian dollar continues to have a severe impact both on exporters and on those who compete with imports. Moreover, manufacturing generally is in very worrying territory in this country with palpable contractions in workforce and value added each month. In this respect, the slow response of the Federal government to manufacturing issues has been a major concern, particularly with respect to the impact of the regulatory environment on labour, energy and other costs of doing business in Australia.

A related problem has been the issue of planted forests and ensuring an appropriate environment to encourage investment in new plantations and expansion of the planted estate. As we know, the strong growth of the industry in recent years has been based on investment decisions made thirty to forty years ago. We need to continue investment in the industry to ensure that there is a continuing availability of product for its various applications in the decades ahead. This is why our strategy of linking the extension of planted forests with direct action for climate change mitigation is so important. Getting recognition of the fact that forests are planted for a variety of outcomes only some of which are commercial, opens up the debate about paying for carbon sequestration and addressing this market failure, which produces positive outcomes for both emissions abatement and the availability of logs for future growth.

We have been working on public policy and the future of planted forests throughout the year.

Another area where the association has worked to ensure rational policy is in the area of naturally regenerated forests and their future. While the industry recognises the positive role that many environmental non-government organisations (ENGOs) play in promoting sustainable forest management and addressing key issues such as curbing illegally sourced imports, we are concerned about the behaviour of some ENGOs. It is not in the interests of the nation that future governments allow some components of the industry to be subjected to factually misleading or disruptive campaigns from some extreme ENGOs, particularly with respect to workplace invasions and related health and safety issues.

We are faced with opposition from some extreme ENGOs regarding the harvesting of naturally regenerated forests . The widespread sentiment to end the harvesting of natural forests ignores the stringent regulatory controls and codes of practice for environmental protection and beneficial outcomes from such active forest management, including fire management, carbon sequestration, provision of recreation opportunities and regional employment. We have worked throughout the year with others to promote the image and benefits of this industry and to make the argument for a rational and science-based view of naturally regenerated forests in place of the exaggerated claims of some ENGO and green groups.

As part of this we have been deeply engaged in trying to ensure that the outcomes of the Tasmanian negotiations between the industry and ENGOs have been as positive for the industry as possible. The outcome so far has been the result of much work from Timber Communities Australia, Forest Industries Association of Tasmania, Forestry Tasmania and ourselves. But it has taken two years to complete – an indication of the type of investment an association like ours needs to make if the views of the industry as a whole are to be put and dealt with in such processes.

The year ahead will be a challenging one for the industry. The profitability of the entire industry is under siege as a result of depressed sectors of the economy, the high dollar, a rigid industrial relations system, high energy and regulatory costs imposed by Federal and State governments, the carbon tax and its cost imposition on manufacturing and the continuing globally depressed state of trade. The association will continue to meet the day to day needs of members as well as continuing to address the issues that will crystallise on the other side of the coming election – the future of the carbon tax, investment incentives for planted forests, a future for natural forestry, minimising regulatory costs, renewable energy and positioning the forest, wood and paper products industry at the forefront of the new low carbon economy.

I would like to thank our staff for their work this year which has been focussed and very useful. They continue to look for the right ways in which to engage directly with and to be of assistance to members. It is the Board's expectation that the chambers will work more effectively over the coming year as members come to use them more for their own needs.

I would also like to thank Linda Sewell, inaugural Chair of AFPA for her dedication and commitment in setting up the organisation and in being Chair during most of its first year. Her leadership has been a very valuable model for us and her departure from the Board in October is noted with a great deal of regret.

I would also like to pay tribute to the work of my fellow Board members who have taken time out from busy work lives to give freely to the organisation in providing direction and leadership for the association and to a large extent to the industry itself.

The coming year, as I said above, will have great challenges, but we as a Board are confident that there is a high probability of the set of problems which beset the industry improving in the course of the year. As an association we are providing input to these changes and ensuring that whatever political and economic reforms emerge from the process in 2013, this industry will be well positioned to take advantage of them.

Greg McCormack

Chairman

Chief Executive Officer's Report

The future management of our forest estate will need to be done on a whole-of-landscape basis if we are to maximise their multiple benefits and aspire to world's best practice in forest management. It will also need a widespread shift in political thinking and the community generally from the emotional to the rational – from heart to head. Much of the attitude within the community and the political establishment is based on naïve notions of formally reserving increasingly larger areas of natural forests, without adequate planning and scientific knowledge of landscape dynamics and the longer term implications of such decisions such as fire management. This is not healthy for any of the forest outcomes we as a community might want.

Certainly our experience of dialogue with ENGOs this year has been mixed and makes clear the communication challenge which faces the industry as it attempts to place before the public the central role of forestry in any version of the carbon constrained economy and in any dialogue around landscape management for multiple outcomes – the basis of active forest management.

The coming year will be crucially important for AFPA and the industry. Given the global trading environment we will continue to push for regulatory reforms in key areas such as competitive energy networks and lower energy prices for users, stronger action on anti-dumping measures and use of biomass for renewable energy. We also have to promote policies in favour of the expansion of the planted forest estate, recognising both the commercial and non-commercial (e.g. carbon, soil conservation, biodiversity) values that planted forests can provide. The work we are doing on what the related investment incentives need to look like will assist governments in addressing this market failure and in the development of future policies. Importantly, this should not be divorced from the role of trees and wood products in the carbon economy and their potential for sequestering carbon. As far as natural forestry goes, we face the continuing challenge of promoting a rational and science based view of the role of harvesting in active forest management for multiple economic, social and enviroonmental outcomes.

We also have to reinvigorate the two major reviews into the forest, wood and paper products industries over the past few years and translate them into concrete action. These are the Pulp and Paper Industry Strategy Group (PPISG) Report submitted in March 2010 and that of the House of Representatives Inquiry into the

Australian Forestry Industry submitted at the end of 2011. We have had these reports consolidated into a single Report to the Australian Forest and Wood Products Council, the formal mechanism of dialogue between the Minister and the industry. These sets of recommendations are being prioritised and pursued through Government and the Council and we expect positive outcomes in the coming year.

This last year has been one of rapid consolidation of the processes and policy positions of the two foundation organisations – the National Association of Forest Industries (NAFI) and the Australian Plantations Products and Paper Industry Council (A3P). This has not been difficult because there has been an enormous amount of co-operation from members and staff in effecting this amalgamation. There has also been a significant investment in crafting new policy positions in the face of the developing policy terrain at State and Federal levels. At the moment, for example, there are inquiries at State level on the forestry industry in three states and AFPA is contributing to all of them. AFPA is also providing input to a number of pieces of Federal legislation which affect the industry in order to ensure that the outcomes promote the interests of the industry rather than undermine them.

We shall continue to engage with members directly through regular newsletters, forums and person-to-person meetings. I would continue to urge members, however, to stay in touch with the association, to continue to speak to staff about getting the assistance of the association in matters which affect them and in surfacing any concerns they have in the direction or running of their organisation.

David Pollard

CEO

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 2011-12 and provides an architecture for information sharing between members who share common industry related interests.

- AFPA's Processing and Pulp and Paper Chambers 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 has been complex and challenging for processing members including continuation of the high Australian dollar, low wood and paper product demand, high levels of imported products, and implementation of the price on carbon. A chamber survey was conducted during the year to determine the five issues of most interest to the processing and pulp and paper sectors of the industry. For processing members these were:
    - Competitiveness
    - Carbon economy
    - Industry image
    - Resource security
    - Market access
- For pulp and paper members the most important issues were:
    - Industry image
    - Certification
    - Trade/anti-dumping
    - Renewable Energy
    - Carbon tax
- Priorities for AFPA's resources chamber included:
    - Resource security including incentives to support plantation investment and continued access to native forests through extension of Regional Forest Agreements

- Climate change, specifically the inclusion of commercial forests and plantations in the Carbon Farming Initiative
- Biosecurity, inckluding rejoing Plant Health Australia and signing the Emergency Plant Pest Response Deed
- Workplace Health and Safety which included setting up an Incident Recording Information System
- Certification including a review of the Australian Forestry Standard and progressing a national styandard for the Forest Stewardship Council
- Water rights
- Illegal logging bill.

2. Year in review 2011/12

This has been a difficult year for the industry. It ends with the continuing weak state of the global economy, the continuing high value of the Australian dollar and a regulatory and policy environment which in many cases undermines the industry's strength or competitive advantage. Amongst other issues, the industry experienced:

- the absence of a recovery in housing starts;
- high imports fuelled by the high Australian dollar and contraction of markets elsewhere;
- high and rising energy costs and a rigid industrial relations system affecting productivity; and
- the introduction of a carbon tax on domestic producers in the absence of a comparable carbon cost on our major competitors and imports.

Despite these pressures, the association has been working on key policy priorities to pursue the industry's prospects in both the short and longer term. In particular, a lot of effort went into consolidating the previous policy positions from NAFI and A3P and providing a unified national vision and policy initiatives roadmap to grow the forest, wood and paper products industries into the future. This vision, entitled *A Renewable Future*, will be released in 2012-13 and provides a sound basis for unlocking the industry's potential for providing multiple economic, social and environmental benefits in the new low carbon economy.

2.1 Corporate governance activities

During the reporting period, AFPA made several changes to its Constitution.

The key amendments were as follows:

- The description of the industry now represented by AFPA has been defined more broadly and completely;
- • The membership classes have been redefined so that admission to the category of Full Member is reserved for those directly involved in the industry, while the category of Associate Member is available to those indirectly involved in the industry. The Board will have the power to determine other classes of membership from time to time.
- Membership fees have been simplified to provide for a single annual subscription determined by the Board. As previously communicated, a sub-committee of the Board is in the process of determining a revised and more equitable fee structure.
- Employment by AFPA will no longer, in itself, prohibit a person from being an AFPA member.
- A representative process of Board nomination is to be adopted, with the intent that the newly constituted Board will be representative of the Chambers and will have a broad range of industry experience and expertise.
    - The Board is to comprise of 6 elected Board Members – 2 Directors elected by the Full Members of each of the 3 Chambers, and a further 3 Directors appointed by the 6 elected Board Members, having regard to what additional areas of expertise may be beneficial to the Board.

3. Governance

- The 6 elected Board Members will serve 2 year terms (although 1 of the 2 nominees from each Chamber elected in 2012 will have a 1 year term) while those appointed by the Board will serve 1 year terms. All Directors will be eligible for re-election or re-appointment and any casual vacancy of an elected Board Member is to be filled by direct nomination from the Chamber.

- 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.
- The newly comprised and representative Board is to have broader and more unfettered power to:
  - determine AFPA policy;
  - set fees;
  - hold and conduct its meeting;
  - appoint members to committees;
  - determine Chamber budgets; and
  - allocate staff and resources.

The Company may, in general meeting, determine that the Board or Members of a particular committee be paid a salary or fee.

3.1 AFPA Board

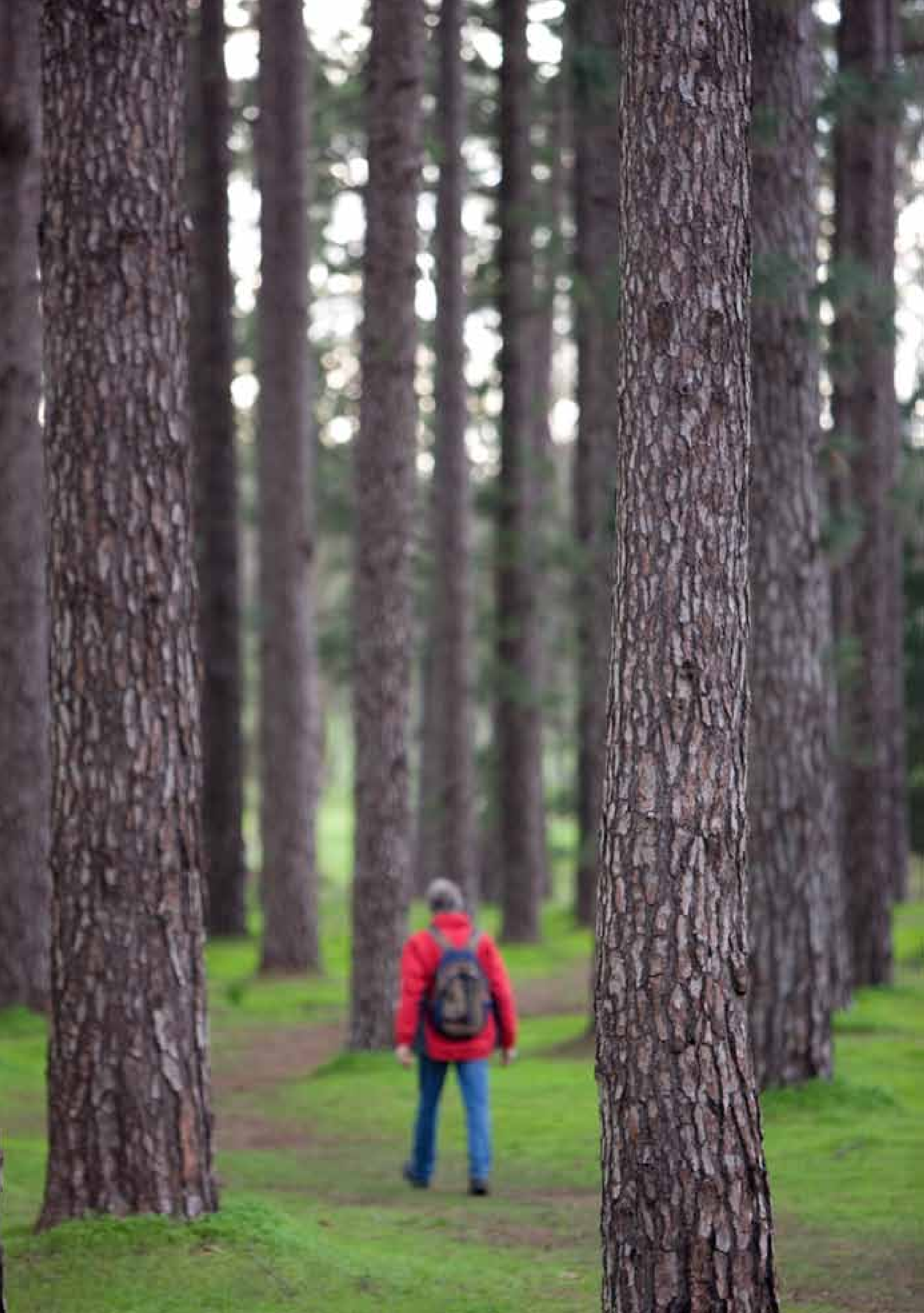
AFPA is governed by a membership-based Board, comprising nine Directors, each of whom have been elected as a result of a commitment to, and an understanding of, the forest wood and paper products industry in Australia.

Members of the Board of Directors

- Mr Greg McCormack (Chair)
- Dr Hans Drielsma
- Mr Terry Edwards
- Mr Andrew Leighton
- Mr Julian Mathers
- Mr Chris Robertson
- Ms Linda Sewell
- Mr Ian Telfer
- Mr Shane Vicary

3.2 AFPA staff

AFPA has eight staff members of whom five work directly on policy issues and associated advocacy with government. We work predominantly at the Federal government level but also work on some State related issues. We also represent the industry in a large number of ongoing administrative and policy activities 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. Our staffing qualifications and experience are predominantly in the areas of forestry, economics, wood markets and public policy.



4. Key Policy Areas

4.1 Resource security

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 timber 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 Climate change and carbon economy

The forest, wood and paper products industries can contribute to long term carbon emissions abatement through multiple pathways, including:

- the atmospheric carbon captured and stored in growing forests;
- the carbon stored in durable wood products and substitution of more emissions intensive building materials such as steel, aluminium and concrete;
- the use of wood waste and biomass for renewable energy (displacing fossil fuel sources such as oil and gas); and
- other clean technology applications such as cogeneration to reduce energy use and emissions from processing activities.

Given this significant potential to contribute to emissions abatement, AFPA has worked throughout the year to promote these opportunities and minimise any adverse impacts on the sector. AFPA was actively involved in preparing submissions, stakeholder consultations and discussions with senior Ministers and Department officials on many aspects of the Clean Energy Future program announced by the Prime Minister in July 2011. This program has been and continues to be progressively implemented and refined over time, including the carbon price imposed on selected emitters from July 2012.

The forest, wood and paper products industry has supported a price on carbon, whether a carbon tax or an emissions trading scheme, provided the design of the mechanism deals responsibly with the potential risks of introducing a price on carbon ahead of competitors, and reasonably reflects actual carbon flows throughout the economy by recognising carbon storage in growing trees and harvested wood products. In a perfect market, a price (or cost) on carbon emissions should encourage substitution for low emissions products such as timber and other technology improvements. However, the design of such policies is difficult given the existence of 'imperfect markets', most importantly in this case through carbon leakage – that is, a decrease in domestic competitiveness and an increase in imports and emissions from overseas products without a comparable carbon cost. This is a major issue facing domestic wood and paper producers, which will be faced with higher energy and input costs while competing on international markets. It is essential that such carbon price policies provide appropriate transitional assistance for trade-exposed sectors pending a comparable carbon cost on imports as well as access to the Clean Technology Investment Program.

4.3 Biomass

Another major issue was the ban imposed by the Australian Government on the use of biomass residues from native forests as an eligible source of renewable energy under the Renewable Energy Target (RET) scheme. Despite the science on the carbon neutrality of sustainably managed forest biomass and concerted advocacy by AFPA, the regulations were imposed via a tied vote in the House of Representatives. AFPA has continued to work with all Parliamentarians on broadening the scope of the RET scheme to recognise eligible sources of renewable energy, including heat, biofuels and biomass residues from forestry and further processing. The Carbon Farming Initiative (CFI) - which provides a mechanism for land based sequestration to access carbon offset markets – has also been a large focus of attention in terms of recognising the carbon benefits from environmental plantings and commercial 'for harvest' plantations. We have worked on a range of technical eligibility and methodology issues for commercial plantations under the CFI, which should be recognised given their dual carbon abatement and production outcomes.

At the end of May, AFPA also completed a three year project promoting awareness and capacity building for the forest industry in dealing with the impacts of future climatic change, particularly in the context of plantation forests. The project involved a review of the available science (on predicted impacts and relevant management options and strategies); a series of regional workshops and the production of information resources including a dedicated website, technical reports, brochures and a plantation climate change adaptation handbook. The project was assisted by funding from the Australian Government under the Farm Ready program.

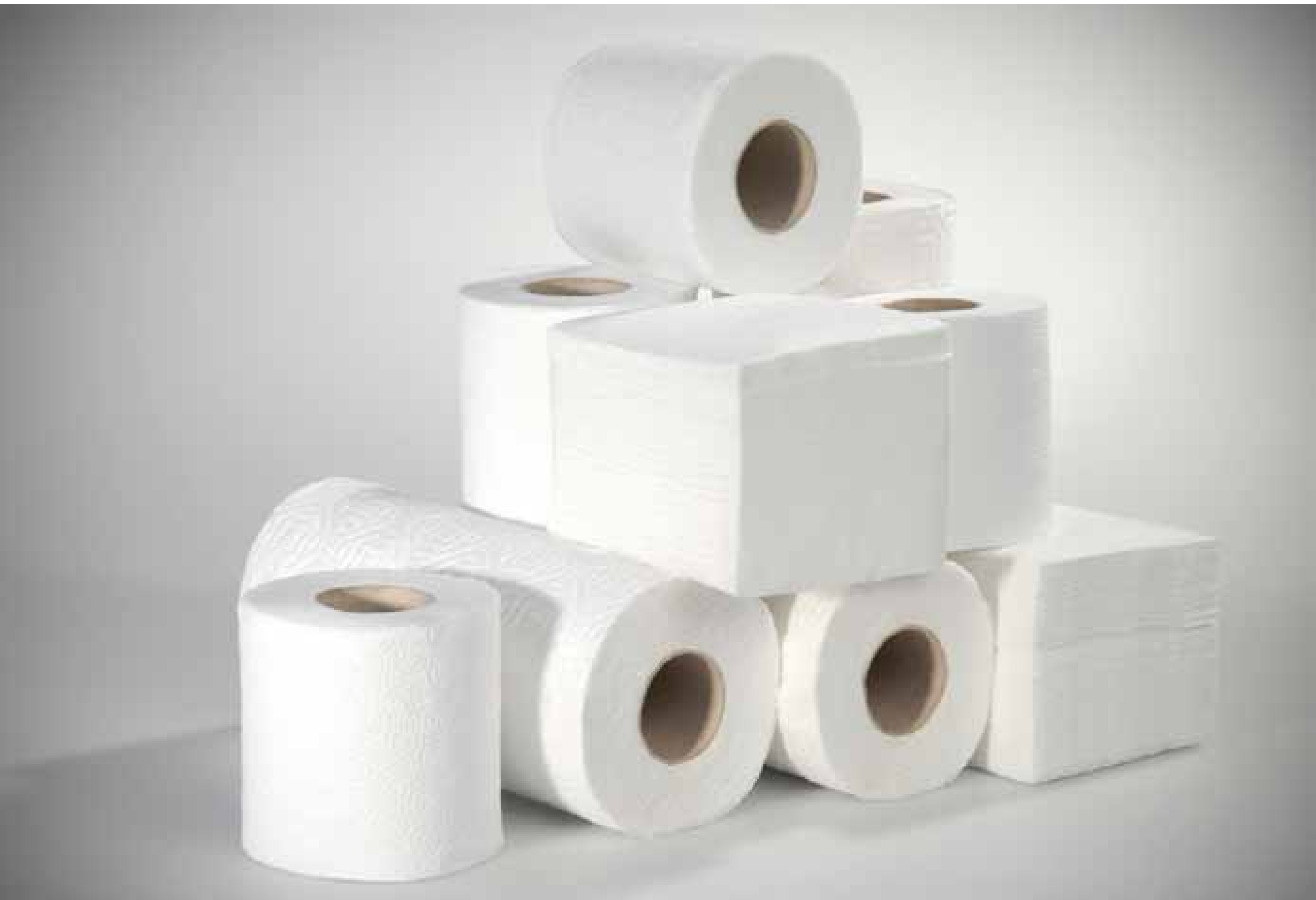
4.4 Illegal logging

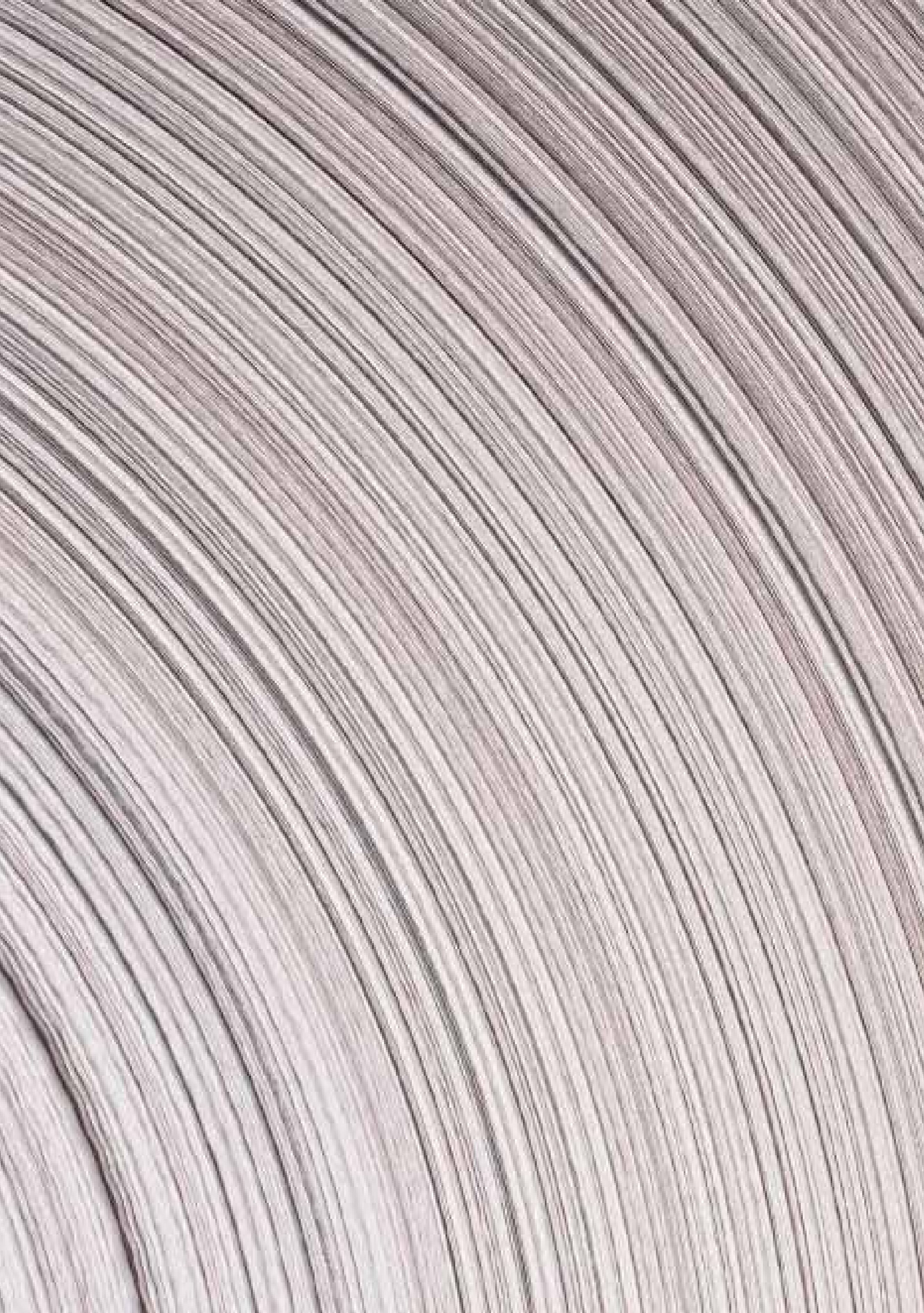
- Given concerns about the import of illegally sourced wood and paper, Australians must support initiatives to promote good governance and sustainable forestry practices in suspect countries as well as directly tackle illegal products entering the country that undermine our domestic competitiveness.
- AFPA supports the implementation of an effective framework to inhibit the importation of illegally harvested wood and paper products into Australia. This framework should promote a level playing field, be cost-neutral for domestic producers, and effectively prevent the importation of illegally sourced products that undermine domestic industry competitiveness. Through this process it is important to acknowledge the need to minimise additional red tape;

- The Illegal Logging Prohibition Bill 2011 continues its path through the parliament having been the subject of a recently completed third inquiry. This inquiry looked into the adequacy of international consultation regarding development of the Bill. Main concerns focussed on the broadness of the definition of illegal logging and the potential for the Bill to restrict trade. The Bill has now passed the HoR and is in the Senate;
- AFPA and industry has been working closely with the government to ensure that industry's concerns with aspects of the Bill, associated regulations and their implementation are heard and acted on. The need for a simple, effective and low cost due diligence system that builds on existing processes is paramount.

4.5 Dumping

- In the context of the manufacturing industries competitiveness in Australia, AFPA is emphasising to all levels of government the importance of an effective and accessible anti-dumping system;
- AFPA supports reform to anti-dumping and countervailing policies to achieve fairness for domestic producers, including an improved system of information disclosure and corrective measures to promote parity for all competitors;
- AFPA continues to monitor the content and rollout of the Government's ongoing reform process of the anti-dumping system. The final tranches of the Government's anti-dumping legislation have passed through the House of Representatives (HoR) and are in the Senate;
- AFPA member companies have engaged in the Government's 'Industry Trade Remedies Group', which has recommended additional actions that are intended to be included in future reform processes;





- AFPA will also engage in the recently established 'Brumby Antidumping Review' which intends to examine the feasibility of establishing a 'Commonwealth Antidumping Agency'.

4.6 Water

In many jurisdictions, the development of water policy has been simplistic in its approach to the treatment of interception by plantation forests. There is inadequate recognition of the broader socio-economic and environmental benefits from plantations, a need for better information on the scale and significance of plantations or water budgets at a catchment level and a failure to assess interception by other dry land crops in the planning framework. AFPA has strongly promoted the application of the National Water Initiative (NWI) principles in the development of water plans, particularly with respect to South Australian water policy in the Green Triangle, the biennual review and climate change water policy project of the National Water Commission, and development of the draft Plan for the Murray Darling Basin.

To encourage efficient future investment and support the NWI water reform process, AFPA has advocated water management plans and policies based on evidence and sound science; equitable treatment of all land uses; appropriate baselines when assessing impacts; meaningful interpretations of land use change (i.e. subsequent plantation rotations do not constitute a change in land use); and consideration of broader benefits to the community and the environment.

4.7 Promotion of the industry

All Australian wood and paper products compete against international production in both domestic (via import competition) and export markets. Australia's commercial environment is exposed to international trade and it is not a level playing field. Key issues include Australia's anti-dumping and countervailing system; the importation of illegally logged forest products; development of timber and building standards, and certification of wood and paper products.

4.8 Market development and standards activities

- With an expanding population, aging stock and high forecast demand for new housing over the next few decades, the forest industry can provide a versatile range of building products for structural, commercial and high quality appearance uses. Domestic and overseas studies have identified the low energy inputs and carbon mitigating and sequestering benefits of wood products compared with other building materials such as steel, brick and concrete;
- AFPA and member companies are actively engaging in market development issues such as standards development, timber grading and properties, milling technology, quality assurance, and identifying R&D requirements for industry;
- One objective is to ensure building codes and energy rating schemes do not unfairly restrict the use of wood products, adopt building system approaches, and recognise the life-cycle benefits, and low embodied energy and carbon footprint of wood products.

4.9 Certification

- The uptake by industry of internationally recognised certification schemes has contributed to the environmental credentials of forest managers and forest product suppliers. Certification of wood and paper products is becoming increasingly important in maintaining market access across domestic and export markets, as well as in public and private sector procurement policies;
- AFPA continues to engage constructively with all credible, independent sustainable forest management (SFM) and chain of custody (CoC) certification systems (e.g. Australian Forestry Standard (AFS)/PEFC and Forest Stewardship Council (FSC) Australia) to progress sustainable forest management and recognition along the supply chain. AFPA is a member of

both FSC Australia and AFS/PEFC and participates in their processes, reviews and standard development;

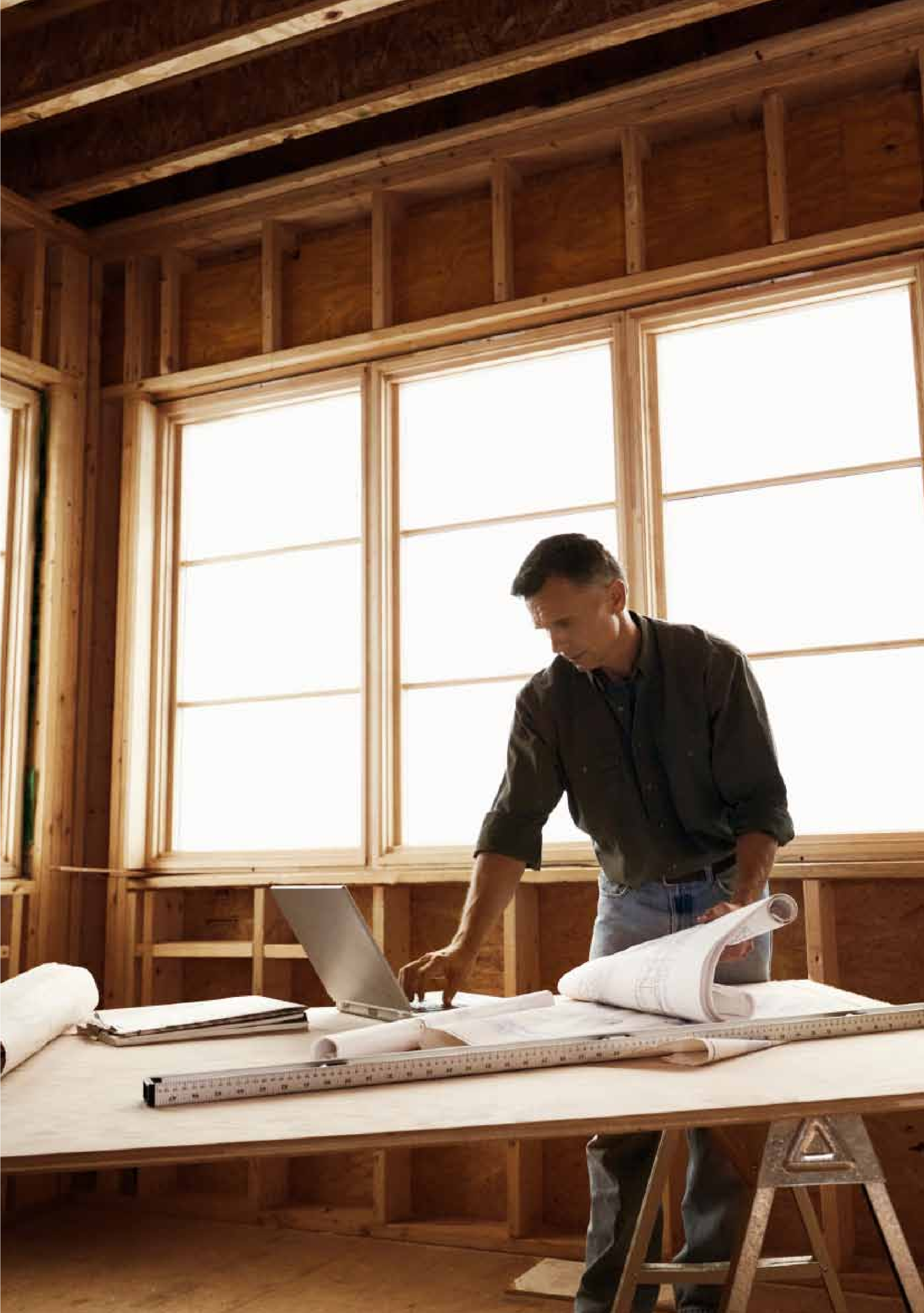
- AFPA also promotes the further development of credible third party certification schemes for sustainable forest management in Australia, including the review of the AFS and development of the FSC national standard subject to appropriate standards of good governance and transparency;
- AFPA, industry and other stakeholders are currently participating in AFS's 5-year structural review of AS 4708 (SFM) and the associated AFS CoC standard.

4.10 Manufacturing

The precipitous state of the manufacturing sector in Australia and with it the threat posed to pulp and paper manufacturing and the timber processing industry remained an important challenge. More than 100,000 jobs have been lost in the manufacturing sector since the start of the Global Financial Crisis and many family owned businesses and companies are facing tough competitive times.

AFPA contributed to the Prime Ministers Taskforce on Manufacturing to highlight the key factors adversely impacting on manufacturing competitiveness, such as rising energy and network transmission costs, excessive red tape in terms of planning approvals, inadequate investment facilitation compared to our overseas competitors and weaknesses in our anti-dumping system.

A lot of effort was equally put into promoting the recommendations from the *Pulp and Paper Industry Strategy Group* (PPISG) report, released in 2010. This Group, which involved industry, researchers and unions with support from key Government agencies, highlighted a strategy for removing policy impediments and promoting growth opportunities for pulp and paper manufacturing. Following ongoing advocacy, AFPA is looking forward to the Australian Government formally responding to the PPISG report in early 2012-13 and working collaboratively on removing the regulatory burdens that are impeding competitiveness and growth opportunities for the sector in the new low carbon economy.



Annual Financial Report

Australian Forest Products

Association Limited

ACN 008 621 510

ABN 40 008 621 510

ANNUAL

FINANCIAL

REPORT

For the year ended 30 June 2012

Australian Forest Products Association Limited
(Formerly known as National Association of Forest Industries Limited)
Financial Report for the year ended 30 June 2012

Directors' Report

Your directors submit their report for the year ended 30 June 2012

1. DIRECTORS

The names of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Johannes Hendrik Drielsma
Former Executive General Manager
Forestry Tasmania
Appointed 14 April 2011

Terrence John Edwards
Chief Executive Officer
Forest Industries Association of Tasmania
Appointed 17 October 2002

Vincent Malcolm Erasmus
Chief Executive Officer
Elders Forestry Limited
Appointed 1 May 2008
Resigned 31 May 2012

David Andrew Leighton
Regional President Australasia
Norske-Skog
Appointed 17 November 2011

Terence Julian Mathers
General Manager
Australian Paper
Appointed 14 November 2011

Gregory Henry McCormack
Director and Chairman
McCormack Demby Timbers
Midway Limited
Appointed 31 October 1991

Christopher Cree Robertson
Chief Executive Officer Manufacturing
Hyne & Son Pty Ltd
Appointed 17 November 2011
Alternate for Linda Kay Sewell

David Jonathan Ryder
Group General Manager Corporate Planning
Australian Paper
Appointed 26 May 2011
Resigned 13 October 2011

Linda Kay Sewell
Chief Executive Officer
Hancock Victorian Plantations Pty Ltd
Appointed 14 April 2011

William James Snelson
Chief Executive Officer
Carter Holt Harvey Wood Products Australia Pty Ltd
Appointed 14 April 2011
Resigned 31 August 2011

Ian James Telfer
General Manager – Woodchip Operations
WA Plantation Resources Pty Ltd
Appointed 16 October 2010

Bryan Martin Tisher
Executive General Manager
Boral Timber Division
Appointed 25 November 2008
Resigned 20 June 2012

Shane Michael Vicary
Chief Executice Officer
AKD Softwoods
Appointed 17 November 2011

Australian Forest Products Association Limited
(Formerly known as National Association of Forest Industries Limited)
Financial Report for the year ended 30 June 2012

2. CORPORATE INFORMATION

Nature of operations and principal activities

The principal activities of the company in the course of the financial year were to promote public and political awareness and understanding of matters of importance to forest industries.

Employees

The company had nine (9) employees as at 30 June 2012 (2011: nine employees).

Registered Office

Forest Industries House
24 Napier Close
Deakin ACT

3. OPERATING RESULTS FOR THE YEAR

The net amount of the deficit of the company for the financial year was $78,105
(2011: $274,925 deficit).

4. OBJECTS OF THE COMPANY

The objects for which the Company is established are to:

a) be a vehicle for effective and efficient communication between various sectors within the Forest Industry;

b) shape and drive Forest Industry and government policy development for the benefit of the Forest Industry;

c) secure the best outcomes for the Forest Industry in important policy development through effective lobbying and other targeted representation;

d) raise the profile of the Forest Industry with community opinion leaders, for the purpose of making the Forest Industry relevant, profitable and sustainable;

e) develop and champion environmental, social, ethical and other standards for adoption within the Forest Industry;

f) encourage and facilitate education on issues relevant to the sustainable growth of the Forest Industry; and

g) develop and maintain cohesive and positive working relationships with other bodies with the Forest Industry.

Australian Forest Products Association Limited
(Formerly known as National Association of Forest Industries Limited)
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5. STRATEGIES FOR ACHIEVING OBJECTIVES

The strategies for achieving objectives include:

a) consultation with industry and industry representatives to identify emerging political, commercial and environmental issues;

b) liaison with politicians and their advisers to convey the identified concerns of industry;

c) preparations of submissions to Governments on proposals which might affect industry; and

d) public comment and presentations regarding aspects effecting or having the potential to affect the viability of the industry using electronic and print media.

6. REVIEW AND RESULTS OF OPERATIONS

The main activities of the Australian Forest Products Association Limited in the financial year were:

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

b) liaison with politicians and their advisers;

c) liaison with various government departments on matters affecting the industries;

d) development of ties with other forest based associations;

e) speeches to industry gatherings;

f) liaison with associated groups both within the forest industries and the wider economy; and

g) liaison with media and preparation of articles for journals and newspapers.

7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The National Association of Forest Industries Limited (NAFI) changed its name to the Australian Forest Products Association Limited (AFPA) and amended its Constitution on 14 April 2011. These changes were made to facilitate the progressive integration of the membership services offered by the Australian Plantation Products and Paper Industry Council Limited (A3P) into an expanded Company offering unified representation for the industry.

Fifteen former members form A3P have, transferred their membership to AFPA, five former members of A3P have elected as at 30 June 2011 not to transfer to AFPA.

Australian Forest Products Association Limited
(Formerly known as National Association of Forest Industries Limited)
Financial Report for the year ended 30 June 2012

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS (continued)

A3P has progressively withdraw from business and been wound up. The net assets of A3P, have be transferred to AFPA.

The remaining net assets of A3P $209,771 have been made in 2012 after the Company was wound up.

8. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There are no other significant events occurring after balance date.

9. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

We believe the company is well placed to further the policy, public awareness, and other aims of the company in the coming year. It is considered likely that the company will continue to improve the position of forest products in the market place, will ensure that a better set of forest policies are adopted by the Government and will continue to improve the understanding of the forest industries in the eyes of politicians, the administration and the general public.

10. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the company has paid premiums in respect of a contract insuring all the directors and officers of the Australian Forest Products Association Limited against costs incurred in defending proceedings for conduct involving;

a) a wilful breach of duty; or

b) a contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid was $8,973 (2011: $7,757). This amount is disclosed as part of Directors' remuneration in Note 12.

Australian Forest Products Association Limited
(Formerly known as National Association of Forest Industries Limited)
Financial Report for the year ended 30 June 2012

11. DIRECTORS' MEETINGS

The number of meetings of directors held during the year and the number of meetings attended by each Director were:

	Meetings Attended	Meetings held while in Office
Johannes Hendrick Drielsma	5	6
Terrence John Edwards	5	6
Vincent Malcolm Erasmus	5	5
David Andrew Leighton	1	4
Terence Julian Mathers	3	4
Gregory Henry McCormack	6	6
Christopher Cree Robertson	1	1
David Jonathan Ryder	2	2
Linda Kay Sewell	4	6
Ian James Telfer	3	6
Bryan Martin Tisher	5	5
Shane John Vicary	3	4

12. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors received a declaration of independence from the auditor of the company. The auditor's declaration is attached.

The following non-audit services were provided by the company's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not comprised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax Compliance and other assurance related services	**$20,000**

Signed in accordance with a resolution of the directors.

GH McCormack
Chair

Canberra, 20 September 2012

ERNST & YOUNG

121 Marcus Clarke Street
Canberra ACT 2600 Australia
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Auditor's Independence Declaration to the Directors of Australian Forest Products Association Limited

In relation to our audit of the financial report of Australian Forest Products Limited for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

James Palmer
Partner
20 September 2012

Liability limited by a scheme approved
under Professional Standards Legislation

Australian Forest Products Association Limited
Financial Report for the year ended 30 June 2012

Directors' Declaration

In accordance with a resolution of the Directors of the Australian Forest Products Association Limited, I state that:

In the opinion of the Directors:

a) the financial statements and notes of the company are 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 2012 and of its performance for the year ended on that date; and

   ii. complying with Accounting Standards and Corporations Regulations 2001; and

b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

GH McCormack
Chair

Canberra, 20 September 2012

ERNST & YOUNG

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Independent auditor's 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 ('the Company'), which comprises the balance sheet as at 30 June 2012, 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 controls as the directors determine are necessary to enable the preparation of the financial report that 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 judgment, 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 controls relevant to the entity'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 entity's internal controls. 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 have given to the directors of the company a written Auditor's Independence Declaration.

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under Professional Standards Legislation

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 2012 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.

Ernst & Young

Ernst & Young

James Palmer

James Palmer
Partner
Canberra
20 September 2012

Australian Forest Products Association Limited
Financial Report for the year ended 30 June 2012

Statement of Comprehensive Income

For the year ended 30 June 2012	Notes	2012 $	2011 $
Revenue from continuing operations	2	**2,250,313**	**1,543,099**
Salaries and employee benefits expenses	3	(1,365,303)	(892,166)
Depreciation expense		(75,148)	(67,018)
Other expenses from ordinary activities	3	(887,967)	(858,840)
Loss from continuing operations attributable to members of Australian Forest Products Association Limited		**(78,105)**	**(274,925)**
Other comprehensive income			
Fair value adjustment to buildings		(200,000)	-
Total comprehensive loss for the period		**(278,105)**	**(274,925)**

Australian Forest Products Association Limited
Financial Report for the year ended 30 June 2012

Balance Sheet
as at 30 June 2012

	Notes	2012	2011
		$	$
CURRENT ASSETS			
Cash and cash equivalents	9 (a)	1,316,803	750,800
Trade receivables	5	112,685	117,675
Prepayments		41,724	18,328
TOTAL CURRENT ASSETS		**1,471,212**	**886,803**
NON-CURRENT ASSETS			
Property, plant and equipment	6	1,768,716	1,996,764
TOTAL NON-CURRENT ASSETS		**1,768,716**	**1,996,764**
TOTAL ASSETS		**3,239,928**	**2,883,567**
CURRENT LIABILITIES			
Payables	7	751,695	327,000
TOTAL CURRENT LIABILITIES		**751,695**	**327,000**
TOTAL LIABILITIES		**751,695**	**327,000**
NET ASSETS		**2,488,233**	**2,556,567**
MEMBERS' FUNDS			
Accumulated surplus		1,095,337	1,173,442
Capital contribution*		311,771	102,000
Asset revaluation reserve		1,045,125	1,245,125
Reserve for Building Development		36,000	36,000
TOTAL MEMBERS' FUNDS		**2,488,233**	**2,556,567**

* Cash received from Australian Plantation Products and Paper Industry Council (A3P) in anticipation of winding up is recognised directly against contributed equity.

Australian Forest Products Association Limited
Financial Report for the year ended 30 June 2012

Statement of Changes in Equity

For the year ended 30 June 2012

	2012 $	2011 $
Asset revaluation reserve		
Balance at beginning of year	1,245,125	1,245,125
Decrement for asset revaluation (Building)	(200,000)	-
Balance at end of year	**1,045,125**	**1,245,125**
Reserve for Building Development		
Balance at beginning of year	36,000	36,000
Appropriation from Accumulated Funds	-	-
Balance at end of year	**36,000**	**36,000**

The reserve for building development is used to appropriate funds for the future development of the site at 24 Napier Close, Deakin, ACT.

	2012 $	2011 $
Accumulated funds		
Balance at beginning of year	1,173,442	1,418,367
Transfers from Reserves	-	30,000
Net defecit attributable to members of the Australian Forest Products Association Limited	(78,105)	(274,925)
Balance at end of year	**1,095,337**	**1,173,442**
Capital contributions		
Balance at beginning of year	102,000	-
Contributions from A3P	209,771	102,000
Balance at end of year	**311,771**	**102,000**

Australian Forest Products Association Limited
Financial Report for the year ended 30 June 2012

Cash Flow Statement

For the year ended 30 June 2012

	Notes	2012 $	2011 $
Cash Flows from Operating Activities			
Receipts from members and customers		2,304,606	1,660,719
Payments to suppliers and employees		(2,392,223)	(1,615,895)
Interest received		37,029	25,420
Goods and services tax paid		(86,051)	(80,378)
Funds held in trust		539,971	-
Net Cash Flows used in Operating Activities	9 (b)	**403,332**	**(10,134)**
Cash Flows used in Investing Activities			
Purchase of property, plant and equipment		(47,100)	(5,636)
Net Cash Flows used in Investing Activities		**(47,100)**	**(5,636)**
Cash Flows from Financing Activities			
Capital contribution		209,771	102,000
Net Cash Flows from Financing Activities		**209,771**	**102,000**
Net Increase/(decrease) in cash held		566,003	86,230
Add opening cash brought forward		750,650	664,420
Closing cash carried forward	9 (a)	**1,316,653**	**750,650**

Australian Forest Products Association Limited
Financial Report for the year ended 30 June 2012

Notes to the Financial Report

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Corporate Information

The financial report of the Australian Forest Products Association Limited for the year ended 30 June 2012 was authorised for issue in accordance with the resolution of the directors on 20 September 2012.

The company is incorporated in Australia under the *Corporations Act 2001* and the liability of members is limited by guarantee. The company is a not-for-profit entity.

(b) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001*, which includes Australian Accounting Standards. This financial report has been prepared in accordance with the historical cost convention, except for buildings which have been measured at fair value. The financial report is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards.

(c) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Reporting Standards as issued by the International Accounting Standard Board.

Australian Accounting Standards and Interpretation that have recently been issued or amended but are not yet effective have not yet been adopted by the company for the annual reporting period ending 30 June 2012.

(d) Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(e) Property, Plant and Equipment

Cost and Valuation

All classes of plant and equipment are measured at historical cost less accumulated depreciation and any impairment losses.

Buildings are measured at fair value at each reporting date.

Repairs and maintenance are recognised in profit or loss as incurred.

Australian Forest Products Association Limited
Financial Report for the year ended 30 June 2012

Notes to the Financial Report

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation
Depreciation is calculated on a straight line basis, over the estimated useful life of the assets. Major depreciation periods are:

	2012	2011
Buildings	40 years	40 years
Plant and Equipment	5-10 years	5-10 years

Revaluation of Buildings
Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase would be recognised in the profit or loss.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increase for the same asset, in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefit is expected from its use or disposal.

(f) Revenue Recognition
Revenue from the sale of goods is recognised upon the delivery of goods to customers. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Grant revenue is recognised in the statement of comprehensive income when the entitty obtains control of the grant and 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 reliabily.

If conditions are attached to the grant which must be satisified before it is eligible to receive the contribution, the recogniton of the grant as revenue is deferred until those conditions are satisfied.

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 Balance Sheet as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

Interest revenue is recognised as interest accrued.

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

Australian Forest Products Association Limited
Financial Report for the year ended 30 June 2012

Notes to the Financial Report

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Taxes

Income Taxes

The Commissioner of Taxation has declared the company exempt from income tax under the provision of Section 50-40 of the Income Tax Assessment Act (1997).

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

* Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

* Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority, is included as part of receivable of payables in the Balance Sheet.

Cash flows are indicated in the Cash Flow Statement 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 are classified as operating cash flows.

Commitments are disclosed net of the amount of GST recoverable from, or payable to, the taxations authority.

(h) Provisions and Employee Benefits

Provisions

Provisions are recognised when the entity has a present obligation (legal and constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employee Benefits

Liabilities arising in respect of wages and salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up the reporting date. They are measured at the amounts expected to be paid out when the liabilities are settled.

All other employees benefit liabilities are measured at the present value of the estimated future cash outflows to made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds which have terms to maturity approximating the terms of the related liability are used.

Australian Forest Products Association Limited
Financial Report for the year ended 30 June 2012

Notes to the Financial Report

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Receivables
The collectability of member subscriptions is assessed continually throughout the year by the Board and Management. Bad debts are written off when the member subscription is considered unlikely to be recovered.

(j) Recoverable Amount
At each reporting date the Company assesses whether there is any indication that an asset may be impaired. When an indicator of impairment exists, the Company makes a formal estimate of its recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use for an individual asset, unless the asset's value in use cannot be estimated to be close to fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(k) Comparative Amounts
Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

NOTE 2: REVENUE FROM CONTINUING OPERATIONS

	2012	**2011**
	$	**$**
Member Subscriptions	1,645,131	989,248
Interest received - other corporations	37,029	25,420
Project income	122,804	103,013
Rent (including outgoings)	90,537	90,794
Other revenue	354,812	334,624
Total revenue from continuing operations	**2,250,313**	**1,543,099**

Australian Forest Products Association Limited
Financial Report for the year ended 30 June 2012

Notes to the Financial Report

NOTE 3: EXPENSES FROM CONTINUING OPERATIONS

	2012 $	2011 $
Salaries and employee benefits		
Expenses incurred in relation to AFPA	1,365,303	892,166
Total salaries and employee benefits	**1,365,303**	**892,166**
Other		
Program expenses	71,871	28,879
Meetings and board expenses	36,425	12,542
Consultants	64,416	176,775
Administrative expenses	464,011	422,936
Media and Promotions	72,368	39,092
Travel and Accommodation	172,531	140,694
Administrative costs incurred on behalf of TCA Ltd provided free of charge	6,345	37,922
Total other expenses from ordinary activities	**887,967**	**858,840**

NOTE 4: MEMBERS' FUNDS

The company is incorporated under the *Corporations Act 2001* and the liability of members is limited by guarantee. The income and property of the company shall be applied solely towards the promotion of the objects of the company and are not for distribution in any way to members. At 30 June 2012 there were 35 members (2011: 43) guaranteeing to contribute up to $20 each in the event of the company being wound up.

NOTE 5: TRADE RECEIVABLES

	2012 $	2011 $
Member subscription receivables	23,658	91,884
Other receivables	89,027	25,791
	112,685	**117,675**

At 30 June 2012, the ageing of receivables is as follows:

	2012	2011
0-30 days	11,494	12,483
31-60 days	-	-
61-90 days	71,395	92,592
90+ days	29,796	12,600
	112,685	**117,675**

Debts above 90 days are considered past due but not impaired.

Australian Forest Products Association Limited
Financial Report for the year ended 30 June 2012

Notes to the Financial Report

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

	2012 $	2011 $
Building - at fair value	1,700,000	2,000,000
Less: Accumulated depreciation	-	(50,000)
	1,700,000	**1,950,000**
Furniture and fittings - at cost	32,830	61,537
Less: Accumulated depreciation	(31,064)	(58,593)
	1,766	**2,944**
Plant (air conditioners) - at cost	53,182	53,182
Less: Accumulated depreciation	(38,858)	(33,540)
	14,324	**19,642**
Office equipment - at cost	100,253	63,343
Less: Accumulated depreciation	(47,627)	(39,165)
	52,626	**24,178**
Total Property, Plant and Equipment	**1,768,716**	**1,996,764**

(a) Reconciliation of Movements

	2012 $	2011 $
Building		
Carrying amount at beginning	1,950,000	2,000,000
Depreciation expense	(50,000)	(50,000)
Revaluation decrement	(200,000)	-
	1,700,000	**1,950,000**
Furniture and Fittings		
Carrying amount at beginning	2,944	4,122
Depreciation expense	(1,178)	(1,178)
	1,766	**2,944**
Plant (air conditioners)		
Carrying amount at beginning	19,642	24,960
Depreciation expense	(5,318)	(5,318)
	14,324	**19,642**
Office Equipment		
Carrying amount at beginning	24,178	29,064
Additions	47,100	5,636
Depreciation expense	(18,652)	(10,522)
	52,626	**24,178**

Australian Forest Products Association Limited
Financial Report for the year ended 30 June 2012

Notes to the Financial Report

NOTE 6: PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Carrying Amount if Building was Measured at Cost Less Accumulated Depreciation

	2012 $	2011 $
Cost	**1,160,000**	**1,160,000**
Accumulated depreciation	**(377,000)**	**(348,000)**
Net carrying amount	**783,000**	**812,000**

The building situated at 24 Napier Close, Deakin ACT has been revalued as at 30 June 2012. The valuation was performed independently by Egan National Valuers (ACT) using International Valuation Standards as a reference to determine the fair value of the building. Fair value is the amount for which the assets could be exchanged between a knowledgeable willing seller in an arm's length transaction as at valuations date. Fair value is determined by direct reference to recent market transactions on arm's length terms for land and buildings comparable in size and location to those held by company.

NOTE 7: PAYABLES (CURRENT)

	2012 $	2011 $
Trade creditors	101,748	125,276
Accrued expenses	46,776	21,900
Accrued annual leave and long service leave	63,200	157,500
Unearned income	-	22,324
Sub-total	**211,724**	**327,000**
Funds held in trust		
Forest Industry Herbicide Research Consortium	414,853	-
Plantation for Australia: The 2020 Vision Project	125,118	-
	751,695	**327,000**

NOTE 8: LEASING COMMITMENTS

The company has entered into commercial property leases of its surplus office building. These non-cancellable leases have remaining terms of between one and five years. All leases include a clause to enable upward revision charge on an annual basis according to prevailing market conditions.

The future minimum rentals receivable under non-cancellable leases as at 30 June were:

	2012 $	2011 $
Not later than one year	68,169	71,618
After one year but not more than five years	42,875	43,669
	111,044	**115,287**

Australian Forest Products Association Limited
Financial Report for the year ended 30 June 2012

Notes to the Financial Report

NOTE 9: STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

	2012 $	2011 $
Cash Comprises:		
- cash on hand	150	150
- cash at bank	1,316,653	750,650
Closing cash balance	**1,316,803**	**750,800**

(b) Reconciliation of the Operating Deficits After Tax to the Net Cash Flows From Operations

Operating (deficit)	(78,105)	(274,926)
Non-cash items		
Depreciation of non-current assets	75,148	67,018
Changes in assets and liabilities		
-Decrease in trade receivables	4,990	44,569
- (Increase) in prepayments	(23,396)	(5,986)
-Increase in trade creditors and accruals	518,995	35,691
-(Decrease)/increase in employee benefits	(94,300)	123,500
Net cash flow used in operating activities	**403,332**	**(10,134)**

(c) Financing Facilities Available

At balance date, the company had approximately $21,602 of unused credit card facilities available for its immediate use.

NOTE 10: AUDITOR'S REMUNERATION

Amounts received or due and receivable by Ernst & Young for:		
- an audit of the financial report of AFPA	20,000	18,700
- Tax Compliance and other assurance related services	20,000	5,000
	40,000	**23,700**

NOTE 11: SEGMENT INFORMATION

The company operated predominantly, as a non-profit organisation, in one business and geographical segment being directed towards the promotion of public awareness and understanding of the forest based and forest products sector, wholly within the Australian Capital Territory.

Australian Forest Products Association Limited
Financial Report for the year ended 30 June 2012

Notes to the Financial Report

NOTE 12: RELATED PARTY DISCLOSURES

(a) The Directors of Australian Forest Products Association formerly known as National Association of Forest Industries Limited during the financial year and until the date of this financial report were:

JH Drielsma	Appointed 14 April 2011	
TJ Edwards	Appointed 17 October 2002	
VM Erasmus	Appointed 1 May 2008	Resigned 31 May 2012
DA Leighton	Appointed 17 November 2011	
TJ Mathers	Appointed 14 November 2011	
GH McCormack	Appointed 31 October 1991	
CC Robertson **	Appointed 17 November 2011	
DJ Ryder	Appointed 26 May 2011	Retired 13 October 2011
LK Sewell	Appointed 14 April 2011	
WJ Snelson	Appointed 14 April 2011	Retired 31 August 2011
IJ Telfer	Appointed 16 October 2010	
BM Tisher	Appointed 25 November 2008	Resigned 20 June 2012
SJ Vicary	Appointed 17 November 2011	

(b) During the financial year the company has paid premiums of $8,973 (2011: $7,757) in respect of a contract insuring all of the directors and officers of the Australian Forest Products Association Limited against a liability incurred in their role as directors and officers of the company. The Directors did not receive remuneration for their services.

** Alternate Director for LK Sewell

NOTE 13: SUBSEQUENT EVENTS

There were no subsequent events occurring after balance date.

Australian Forest Products Association Limited
Financial Report for the year ended 30 June 2012

Notes to the Financial Statements (continued)

Note 14: Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise receivables, payables, cash and short-term deposits.

The Company manages its exposure to key financial risks, including interest rate in accordance with the Company's Investment and Reserves Policies. The Board reviews and agrees policies for managing each of these risks on an annual basis. Primary responsibility for identification and control of financial risks rests with the Audit, Risk and Corporate Governance Committee under the authority of the Board.

(a) Risk Exposures and Responses

Interest rate risk

The Company's exposure to market interest rates relates primarily to the Company's short-term income producing investments.

At balance date, the Company had the following mix of financial assets and liabilities exposed to Australian Variable interest rate risk:

	2012 $	2011 $
Financial Assets		
Cash and cash equivalents	1,193,830	750,800
	1,193,830	**750,800**

The Company constantly analyses its interest rate exposure. Sensitivity analysis based on the interest rate risk exposures in existence at the balance sheet date affect movements in profit only, due to higher/lower interest income from cash balances.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

If interest rates had moved during the year ended 30 June 2012, as illustrated in the table below, with all other variables held constant, net surplus from operations and equity would have been affected as follows:

Reasonable Movements Net Surplus Equity

	2012 $	2011 $	2012 $	2011 $
+ 1 per cent (100 basis points)	8,757	5,587	8,757	5,587
- 1 per cent (100 basis points)	(8757)	(5,587)	(8757)	(5,587))

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The movements in net surplus from operations and equity are due to higher/lower interest income from variable rate cash balances. The sensitivity is more in 2012 than in 2011 because of an increase in cash balances subject to interest.

Credit risk

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents and trade and other receivables. The Company's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is presented in the following table:

	2012 $	2011 $
Financial Assets		
Cash and cash equivalents (note 9 (a))	1,316,803	750,800
Trade receivables (note 5)	112,685	117,675
	1,204,118	**633,125**

The Company does not hold any credit derivatives to offset its credit exposure.

The Company trades only with recognised, credit-worthy third parties, and as such collateral is not requested nor is it the Company's policy to securitise its trade and other receivables.

It is the Company's policy that all customers that wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of a bank overdraft. The bank overdraft is only to the amount of the Company's aggregate business credit card liability.

Maturity analysis of financial assets and liability based on management's expectation

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital e.g. Trade receivables. These assets are considered in the Company's overall liquidity risk.

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Year ended 30 June 2012	≤6 months $	6-12 months $	1-5 years $	>5 Years $	Total $
Financial assets					
Cash and cash equivalents (note 9 (a))	1,316,803				1,316,803
Trade and other receivables (note 5)	112,685				112,685
	1,429,488	**-**	**-**	**-**	**1,429488**
Financial liabilities					
Trade and other payables (note 7)	751,695				751,695
Net maturity	**677,793**	**-**	**-**	**-**	**677,793**

(b) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

(c) Trade creditors and accruals

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company. Trade liabilities are normally settled on 30 day terms.

(d) Net fair values

All financial assets and liabilities have been recognised at the balance date at their net fair values.

(e) Credit risk exposures

The Company's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet.

Concentrations of credit risk

The Company minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with members.

Capital Management

The Company is limited by guarantee and under its constitution is prohibited from paying a dividend to its members.

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Notes to the Financial Statements (continued)

Note 15: DIRECTORS AND KEY MANAGEMENT PERSONNEL

Compensation of Key Management Personnel (DA Pollard – Chief Executive Officer) is:

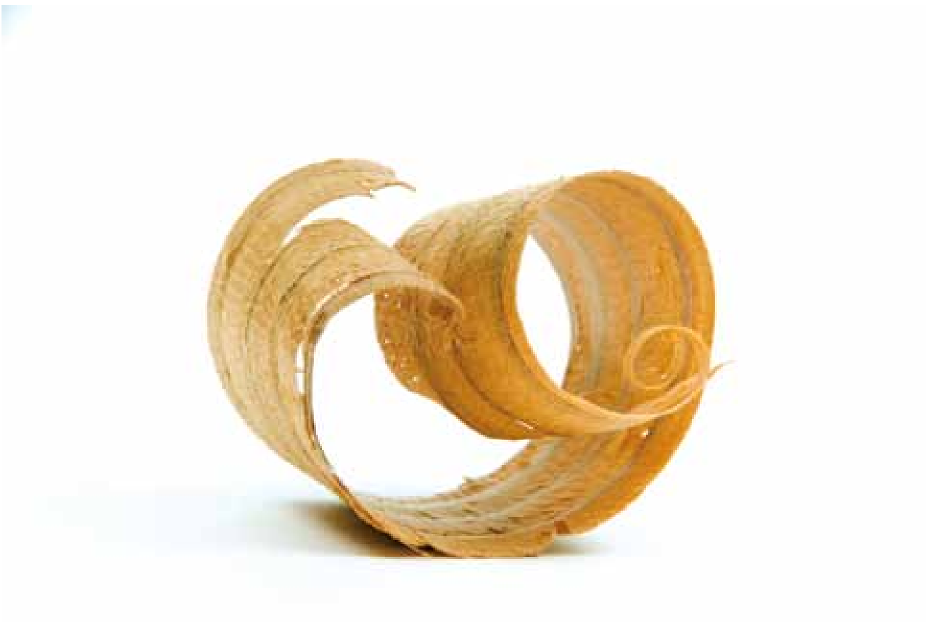
	2012	**2011**
	$	**$**
Short-term	238,311	269,338
Post employment	13,348	14,741
	251,659	**284,079**

Contract for Services

A contract for services is in place with the present Chief Executive Officer and with no other key management personnel. The employment contract is for a three year term commencing 29 August 2011 and will terminate on 28 August 2014.

The Company may commence negotiation of a new employment contract two months before the expiry of the term of the present contract. However if the parties cannot agree on the terms by the expiry date of the existing contract, there is no obligation to negotiate further with the Chief Executive Officer and employment will cease on the expiry date of the contract.

The contract may be terminated for any reason by either party giving three (3) months written notice. Payment can be made in lieu of notice.



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