2015-16

AUSTRALIAN FOREST PRODUCTS ASSOCIATION

ANNUAL REPORT

AUSTRALIAN FOREST PRODUCTS ASSOCIATION

TREES | WOOD | PAPER

MEMBERS

African Mahogany (Australia) Pty Ltd

Allied Natural Wood Exports (ANWE) Pty Ltd

Allied Timber Products Pty Ltd

Altus Renewables Ltd

Appita Inc

Associated Kiln Driers Pty Ltd (AKD Softwoods)

Australian Forest Contractors Association Ltd (AFCA)

Australian Forest Growers

Australian Paper Pty Ltd

Auswest Timbers Pty Ltd

Big Traffic Co Pty Ltd

Boral Timber

Carter Holt Harvey Pty Ltd

Circa Group Pty Ltd

CO2 Australia Ltd

Engineered Wood Products Association of Australasia Ltd

Fennell Forestry Pty Ltd

Forest Industries Association Tasmania Ltd (FIAT)

Forest Industries Federation WA Inc (FIFWA)

Forest Products Commission

Forestry Corporation of NSW

Forestry Tasmania

ForestrySA

Global Forests Partners Group (GFPG)

- Hume Forests Ltd
- Australian Bluegum Plantations Pty Ltd
- Green Triangle Forest Products Ltd

HQPlantations Pty Ltd

HVP Plantations Pty Ltd

Hyne & Son Pty Ltd

Kimberly-Clark Australia Pty Ltd

Koppers Australia Pty Ltd

Lonza Wood Protection

McDonnell Industries Pty Ltd

Midway Ltd

New Forests Asset Management Pty Ltd

- Forico Pty Ltd

Norske Skog (Australasia) Pty Ltd

OneFortyOne Plantations Pty Ltd

Pentarch Forest Products Pty Ltd

PF Olsen (Australia) Pty Ltd

South East Pine Pty Ltd

Timber NSW Ltd

Timber Queensland Ltd

Timberlink Australia

VicForests

Victorian Association of Forest Industries (VAFI)

Visy Industries

WA Bluegum

WA Plantation Resources Pty Ltd

Wesbeam Pty Ltd

Wespine Industries Pty Ltd

Whiteheads Timber Sales Pty Ltd

CONTENTS:

CHAIRMAN'S OVERVIEW

When I look back at my overview in last year's annual report, I cannot but feel a sense of satisfaction with our combined progress.

That is not to say that we have in any way "arrived", but I can honestly report at the close of FY 2015/16 that the Australian Forest Products Association (AFPA) - the national peak body you all created - is delivering for all of us.

Last year we were preparing for a federal election. Like me, your experience has no doubt been that Federal Elections have been white-knuckle rides. Usually there was little good to be expected and, more often than not, pain to be borne. Those who have not supported our industries in the past have usually used this time to exert political pressure and discovered yet more creative ways to make our lives more difficult.

The 2016 Federal Election will be remembered by those of us who have seen a few, as refreshingly and surprisingly different.

"AFPA is the lead voice in the national capital of course, but importantly this same 'sustainable' message is being heard right around the country..."

There was very little said which was negative about our operations and certainly almost no media attention paid to those voices. This in itself would be reason to be delighted and applaud – at least in part - the deep, long and persuasive work which has been conducted by AFPA in the corridors of power in Canberra. AFPA is the lead voice in the national capital of course, but importantly this same 'sustainable' message is being heard right around the country from the many others across the value chain who touch the lives of our politicians and policy makers. Thank you one and all.

But there was much more in store for us in the run up to the Turnbull Government's re-election.

Thanks to the strategic interlocking of AFPA's well thought through advocacy narrative and the blunt messaging of the "*Build the Vote*" website, the election campaign saw both the ALP and the Coalition promise to deliver a **National Forest and Fibre Plan**. This plan will be informed by the excellent work of the Forest Industries Advisory Council. I note that gaining a commitment to create this Forest and Fibre Plan was the most important goal I outlined for AFPA in my report last year.

One of the key asks of AFPA for three years has been securing Government support for a new **National Institute for Forest Products Innovation.** The good news is that the Coalition also promised during the campaign that this initiative would finally receive the $4 million seed funding it needs to become a reality. This is a very welcome recognition of our part in the nation's 'innovation' future.

It should be said at this stage that other Parties have also been far more supportive than in previous elections. Although the Greens, for example, are still saying they oppose native forestry they have moved to a far more positive stance regarding large plantations. This is very welcome.

You task your national industry Association with creating the policy landscape which is most likely to enable you to get on with your business and be properly acknowledged in market and policy settings for your great renewable, recyclable operations.

AFPA has been doing this well, but our opportunity now has a hard focused edge. We must pursue our chances vigorously with this new wind at our back.

We have promises to turn into budget commitments. We have new political decision-makers (especially in the Senate) that we need to work with so that they better understand the nature of our businesses.

"We are the greenest of all national industries."

We are the greenest of all national industries.

Everything points to all of us being able to bake in changes in the coming months and years which will permanently alter our landscape for the better.

I urge you to continue to support your national industry Association. Our success is in large measure due to our unity and strength as the national voice for the growing, processing and pulp, paper and tissue making companies of Australia.

I thank my fellow Directors and the AFPA staff for their service and dedication over the last year.

Greg McCormack
Chairman

The Australian Forest Products Association (AFPA) has continued to grow stronger in the last financial year.

Memberships have continued to increase and costs have been contained, allowing your Association to report a healthy balance sheet, positive cash flow and a modest surplus.

AFPA's core work of advocacy and policy development has also continued to strengthen with gains in a number of key areas.

The federal political scene is AFPA's operating environment and the recent federal election was a period of intense activity.

CEO ANNUAL REPORT

This poll saw the return of the Turnbull Government, albeit with a significant majority reduced to one seat. It also resulted in the election of a larger number of crossbench Senators.

AFPA has the policies, the seasoned relationships and experienced staff to enable your peak body to make the best of the terrain before us.

Our goal is not complicated – though the strategies are sophisticated.

We have a mission to unlock the full potential of our members by influencing decision-makers to remove or modify poor public policy and add where we can to the positive.

I believe the coming year will see some significant gains.

For example, two years of working to unlock the door so that for-harvest plantations are recognised for the positive carbon contribution they can make to national greenhouse gas accounts, appears closer than ever to being realised.

But this is just one area of effort.

We are closing in on new settings which will equip us to finally see our industries rewarded for some of the public goods we deliver in our renewable, carbon storing forest, wood and paper products. We stand a chance of bringing bioenergy sourced from biomass into the renewables mainstream. We have opportunities to unpick transport, port or export certification impediments that waste time and money.

We can help advocate for fair energy access. There is so much to do and so many more opportunities to produce results.

Despite being perceived as a 'heritage' industry, we now find ourselves on the centre stage in the 21st century 'innovation' and 'climate' friendly economy.

Not a week goes by when I do not read another international article outlining the leadership role we will play in transforming the world's use of resources in a positive way. The stories range from airlines betting big on a move away from fossil fuels to biofuels sourced from residues, through major car companies replacing plastic dashboards with fibre-based ones, through to cities determining that they will use timber product solutions for low and medium high-rise building to be more 'carbon-neutral'. When I lay those articles about revolutions in fibre and construction on the foundations of everything we continue to do, to provide the likes of traditional window frames, roof trusses, paper, packaging or tissues, it seems to me that history is very much on our side.

Certainly in the policy making world, sustainable and renewable forestry and forest industries are now increasingly called upon to help as new futures are imagined and new thoughts are developed.

Serious NGOs are increasingly spending their efforts on countries which practice 'deforestation' rather than Australia, which has world-class sustainable operations in managed native forests and plantations, and where we plant or regenerate some 60 million trees every year.

"AFPA has the policies, the seasoned relationships and experienced staff to enable your peak body to make the best of the terrain before us."

There is an acknowledgment amongst many who work in our policy space that forest industries are very much part of the solution to some of the biggest problems we face – and this goes well beyond the climate agenda. It covers innovation, jobs and regional development, land management, and even bushfire mitigation.

Our innovative *"Build the Vote"* website, rating all politicians and running our report card on major industry policy demands, played a part in shaping the promises delivered for our industries during the federal election.

"AFPA will continue to make your case loudly and forcefully."

AFPA will continue to make your case loudly and forcefully.

My profound thanks to all Members and Associate Members for your ongoing support.

I also thank the Board of Directors for their wisdom and energy.

Thanks to our AFPA staff, present and those who departed during the year, who work very hard for the good of all members.

Ross Hampton
Chief Executive Officer

1

AFPA'S OBJECTIVES AND POLICY PRIORITIES

1.1 OBJECTIVES

The constitution establishes a number of tasks for AFPA:

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

AFPA'S OBJECTIVES AND POLICY PRIORITIES

1.2 INDUSTRY GROWTH PRIORITIES

Key priorities have been identified 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 (including the recognition of industrial heat).

Building resource security

Stimulate capital investment for new softwood and hardwood plantations, and support and renew 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, ensure balanced trade agreements, and recognise the environmental advantages of wood through wood encouragement policies, building codes and energy rating schemes.

Public communications

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

Investment environment

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

Infrastructure and Research & Development (R&D)

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

1.3 CHAMBERS

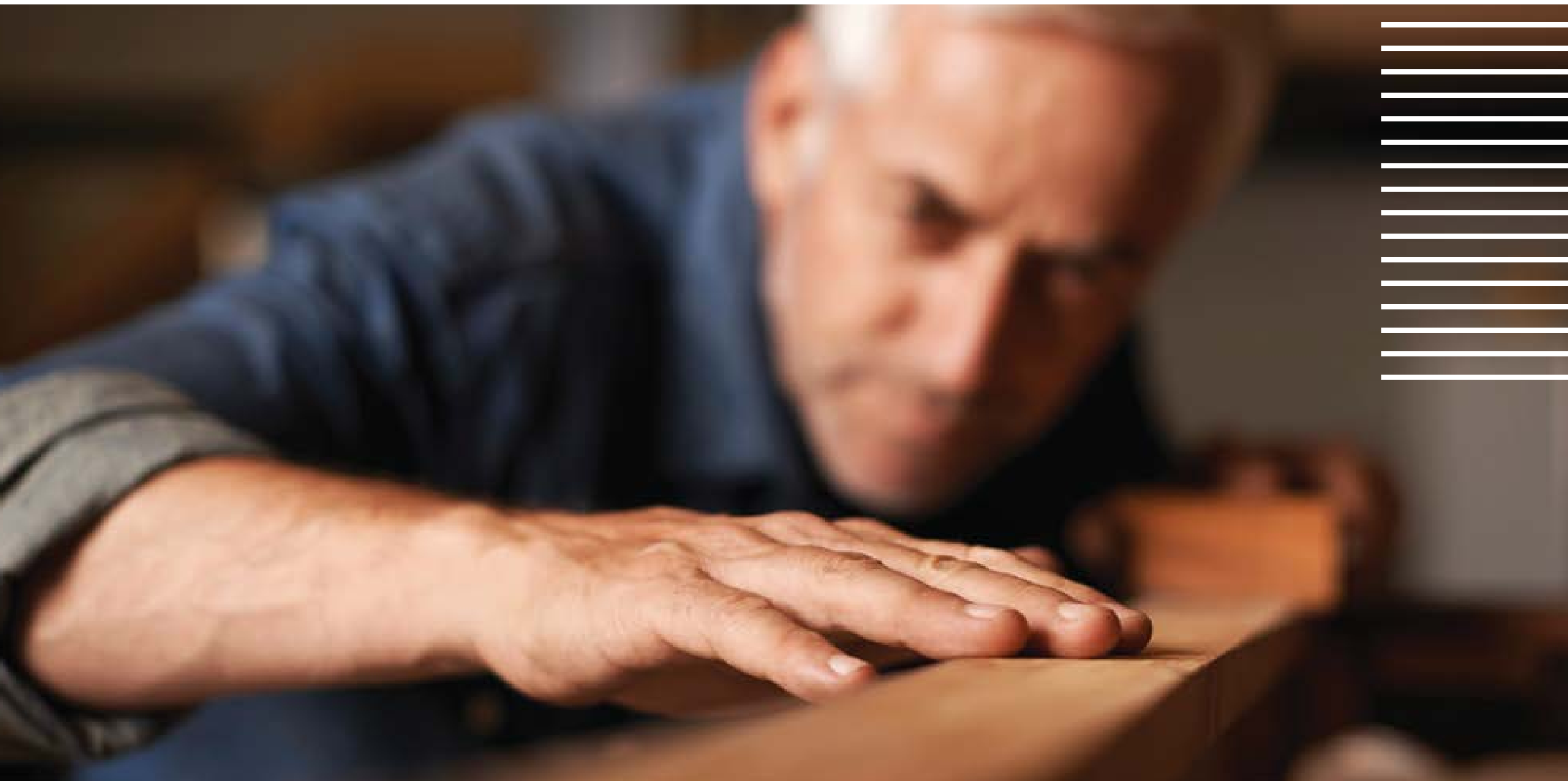
AFPA's Constitution establishes three Chambers:

1 Resources Chamber

2 Processing Chamber

3 Pulp and Paper Chamber

Each of these Chambers met regularly during FY 2015/16 providing an architecture for information sharing between members who share common industry related interests.



1

RESOURCES

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

The plantation estate, split almost evenly between softwood and hardwood, provides 85% of total wood production, or over 23 million cubic metres in 2014-15. Of the multiple-use public native forest resource, less than 80,000 hectares, or around 0.8% of Australia's total forested area, is harvested annually.

The management and harvesting of plantation and native forest logs generates an annual gross value of production of almost $2 billion and provides around 14,000 jobs, mainly in rural and regional areas. This supports the processing sector which delivers a total value of industry sales of $20 billion annually and creates a further 58,000 jobs.

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

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

"The management and harvesting of plantation and native forest logs generates an annual gross value of production of almost $2 billion and provides around 14,000 jobs..."

Key policy priorities of the Resources Chamber include:

- PLANTATION INVESTMENT — expanding the plantation resource to support future investment in processing scale and boost industry competitiveness
- RESOURCE SECURITY — concluding the outstanding Regional Forest Agreement (RFA) reviews and developing a mechanism to extend the RFAs for a further 20 years
- CLIMATE CHANGE — development of methodologies under the Carbon Farming Initiative, to enable plantation and forest management to be recognised as eligible activities under the Emissions Reduction Fund
- CERTIFICATION — continuous improvement in all aspects of forest management through participation in voluntary, independent third party forest certification by internationally recognised schemes
- BIOSECURITY — maintaining forest health and reducing risks from introduced pest and diseases through prevention and early detection activities pre-border, at border and post border
- WORKPLACE HEALTH AND SAFETY (WHS) — facilitating continuous improvement in workplace health and safety practice through benchmarking of WHS performance

PROCESSING

The Processing Chamber has a membership which includes hardwood and softwood sawmillers and processors, engineered wood product producers, hardwood and softwood woodchip and log exporters, bio-pellet producers, forest contractors, wood treatment chemical companies, and 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 to a low carbon economy and a sustainable future. Given a growing population and higher demand for a range of construction, fibre and energy products to meet future needs both in Australia and the South East Asian region, 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 processing industries are based on a biological resource supplied and renewed by the sun. The manufacturing components of the industry represent around 6% of total manufacturing value added in Australia, directly supporting around 58,000 jobs.

> "The manufacturing components of the industry represent around 6% of total manufacturing value added in Australia, directly supporting around 58,000 jobs."

The Processing Chamber will shape, prioritise and drive processing sector national policy (or policy with national ramifications) development for the benefit of the industry. Members also use the Processing Chamber as a vehicle for effective and efficient communication within the processing sector. National policy themes for the Processing Chamber include: Industry Image; Market Access; Resource Security; Carbon Economy; and Competitiveness.

This year, apart from the regular governance activities, the Processing Chamber focused on many key policy issues including:

- Forest Industry Advisory Council process and final paper
- climate change policy including Emissions Reduction Fund opportunities for the processing sector
- certification
- trade agreements, export certification including fumigation
- implementation of illegal logging regulation and anti-dumping system reform
- R&D policy
- timber standards, codes and timber development
- biosecurity

Additionally, key softwood sawmilling members continued to meet separately as the Softwood Sawmilling Leaders Group (SSLG) to better discuss collaborative issues of direct relevance to the softwood sawmilling sector.

3

PULP AND PAPER

The Australian pulp and paper (P&P) industry is a diverse sector producing a range of paper and paperboard products, including tissue, printing and writing papers, newsprint and packaging papers.

The P&P industry directly employs 17,000 people with an annual sales income of over $9.7 billion from total production of over 3.1 million tonnes. The P&P industry is proud of its high standards of environmental and social responsibility. These standards are often not matched by imported products which may have increased risks of products sourced from illegal logging, areas with poor forestry or industrial environmental practices or with inadequate safety and labour conditions.

The inherent environmental strengths of paper products include the fact that they can be made from renewable sources with carbon sequestration and recycling benefits. Paper recycling rates in Australia are amongst the highest in the world with over 87% of all paper and paperboard consumed being recovered. At its plant in Albury NSW, for example, Norske Skog recycles 100,000 tonnes of old newspapers and magazines each year as part of its newsprint production. Australian Paper's recent investment in a recycled paper production facility for office paper also diverts up to 80,000 tonnes of waste paper per annum from landfill. Visy Paper Pty Ltd operates six recycled paper mills which exclusively use reclaimed fibre from both residential and commercial waste.

The P&P industry is also a large producer of renewable energy through the use of biomass waste for both electricity and industrial heat production. Visy, for example, generates around 230 GWh of bioenergy each year from its national operations, with most of this energy being generated at its pulp and paperboard mill in Tumut, NSW. The paper mill operated by Australian Paper in Maryvale, Victoria, generates 200 GWh per year of bioenergy. Kimberly-Clark Australia (KCA) continued its progress towards the company's ambitious sustainability goals including: achieving a 30% absolute reduction in carbon dioxide emissions from 2011; zero manufacturing waste to landfill; and reduction of post-consumer products' impact on the environment by ensuring each division has an initiative in place.

Bioproducts produced from renewable biomass waste are increasingly becoming a focus of the P&P industry. In December 2015, Norske Skog and Circa Group Pty Ltd entered into a joint venture to manufacture and market a range of sustainable platform chemicals to global markets. Norske Skog's Boyer pulp and paper mill will be home to a large-scale prototype plant that will produce Cyrene, a non-toxic, "green chemical" alternative to existing solvents used in pharmaceutical and agrichemical industries across the world.

Key areas of focus and policy priorities of the P&P Chamber included:

- plantation investment (i.e. new fibre supply)
- recycling and recovered paper
- gas and energy policy, including renewable bioenergy and industrial heat
- trade and investment, including anti-dumping and trade agreements
- climate change policy
- government procurement
- bioproducts
- manufacturing competitiveness
- certification
- progress towards improved national paper sustainability reporting

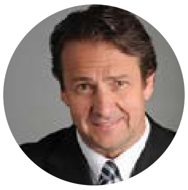
2

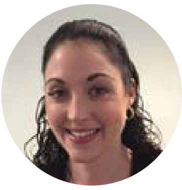
GOVERNANCE












2. GOVERNANCE

2.1 AFPA BOARD

AFPA is governed by a membership-based Board, comprising up to 10 Directors, each 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 (Chairman)
- Mr Ron Adams
- Mr Gus Carfi
- Mr Julian Mathers
- Ms Melissa Haslam
- Mr Andrew Leighton (Deputy Chair)
- Mr Chris Hyne
- Mr Cameron MacDonald
- Mr Jerome Coleman
- Mr Ian Tyson

2.2 AFPA STAFF

Mr Ross Hampton is the Chief Executive Officer of AFPA.

Mr Gavin Matthew is the Pulp & Paper Chamber Manager, with responsibilities for climate change policy. Mr Peter Grist is the Resources Chamber Manager. Ms Nicole Barnes is the Finance Manager and Company Secretary.

AFPA established a South Australian Branch in early 2016 and recruited Ms Clare Scriven to the role of State Manager with responsibilities also for softwood manufacturing policy.

Mrs Yelena Ramli joined AFPA in May 2016 as the Communications and New Media Officer. Ms Cathy Lim also joined the team in May 2016 as the Executive Assistant to the CEO.

Clockwise from top left: Mr Ross Hampton, Mr Peter Grist, Mrs Yelena Ramli, Ms Nicole Barnes, Ms Cathy Lim and Mr Gavin Matthew. (Inset: Ms Clare Scriven)

AFPA staff represent the industry in a large number of ongoing activities and forums in which the industry's voice needs to be heard – such as certification, trade and anti-dumping, manufacturing, plant health and biosecurity, national energy market reform, bioenergy, climate change, and dialogue around resource security (including the Regional Forest Agreements).

3

COMMUNICATIONS

3. COMMUNICATIONS

One of AFPA's key functions is to communicate the industry's strategic messages effectively.

It is crucial that these coordinated messages are disseminated and heard to support AFPA's lobbying and advocacy efforts, maintain and enhance the industry's reputation, build new markets for industry, and at the same time tap into new membership opportunities. Realising the importance of strong forestry and forest products industry representation, AFPA constantly works towards increasing visibility, credibility and gaining recognition. AFPA regularly issues media releases, participates in industry related discussions on national and regional radio, and submits opinion pieces written by the CEO for a range of media publications.

AFPA engages members through various communication channels including:

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

Following the formal announcement by Prime Minister Malcolm Turnbull that the Federal Election was to be held on 2 July 2016, AFPA announced a pre-election campaign and released a comprehensive Election Strategy with nine key policy areas. With an overarching message that the Australian forest products industry is an innovative industry, which underpins better socio-economic outcomes in regional and rural areas, and plays a significant role in delivering a low carbon economy, this message was targeted at MPs and Senators; political candidates; AFPA members; forest products industry; associated stakeholders/supply chain; media (metro, regional, industry and commentators); and the general voting public. The campaign was successfully executed. Details of the debate can be found on the *Build the Vote* website under Policy Platforms.

3.1 ONLINE PRESENCE

AFPA continues to pick up momentum on the digital front by growing an online presence via regular Twitter updates and an interactive corporate website. AFPA's corporate website is regularly updated to ensure it is an effective, one-stop source for latest news, event information and a reliable place of reference for industry, Government and the public.

AFPA's official Twitter page (@AFPAonline) has grown quickly to close to 600 followers (without promoted posts or advertisements). AFPA is maximising social media platforms such as Twitter and our YouTube channel (AustForests) by boosting content with timely and relevant posts.

AFPA's social media strategies include: frequent tweets on latest industry developments; retweeting key opinion leaders and followers; tagging individuals to build digital influence and further our reach among the online forestry community; and including hashtags to categorise tweets.

3.2 MEDIA RELEASES

AFPA distributed 79 media releases this year. Many related to Federal issues affecting the industry and policy developments leading up to the 2 July election. Coverage from these media releases included mainstream national media, regional media outlets, radio and media interviews, as well as industry and trade publications. Media releases remain a vital, efficient, and preferred tool for AFPA to raise its profile and reach out to wider industry and policy decision-makers.

4

SELECTED POLICY AREAS

4. SELECTED POLICY AREAS

4.1 FOREST INDUSTRY ADVISORY COUNCIL FINAL PAPER

The Forest Industry Advisory Council (FIAC) was tasked to advise the Government on building a positive future for the forest products industry and provide recommendations on proposed legislation and future policy. FIAC's remit was to produce an initial issues paper, a discussion paper and a final paper to the Government.

AFPA participates in the FIAC both with direct representation and through representatives of member companies. AFPA continued to engage with the FIAC process to urge the development of a '*National Forest and Fibre Plan*'.

The final FIAC paper, "*Transforming Australia's Forest Products Industry*", was released in June 2016. FIAC's recommendations provided the Government with high-level direction and coordinated action to build the forest, wood and paper products industry into the future. As an initial response in the election campaign the Coalition Government committed to finalising a '*National Forest and Fibre Plan*' based on the FIAC final paper. A '*National Forest and Fibre Plan'* will detail a vision, objectives, targets and actions to deliver a sustainable future for the forest products industry.

4.2 PLANTATION INVESTMENT

AFPA released a comprehensive policy proposal '*Plantations – The Missing Piece of the Puzzle*'. The policy proposal indicated investment in new plantations in Australia has effectively come to a standstill. Plantation development is critical to the future growth and competitiveness of our industry. Promoting plantations within typical economic haulage distances (i.e. strategic plantation hubs within a 100km - 150km radius around key processing or port facilities) should be encouraged using new investment drivers, such as targeting access to the Carbon Farming Initiative (CFI) under the Emissions Reduction Fund (ERF). This has the potential to deliver both wood production and carbon abatement. The policy proposal is aimed at addressing a number of critical regional priority needs, including fibre expansion via new plantations and farm forestry, infrastructure and training.

AFPA has socialised the policy proposal with key federal MPs and Department officials as well as writing to State Ministers in conjunction with the State industry associations. The document has been extremely useful leading into the 2016 election and for its important links to related policies – including strategies to target the ERF and plantation taxation arrangement projects within the identified plantation hubs.

"A 'National Forest and Fibre Plan' will detail a vision, objectives, targets and actions to deliver a sustainable future for the forest products industry."

4.3 FORESTRY RELATED R&D INVESTMENT

Investment in forest-based R&D has significantly decreased over the past decade compounded by a lack of national coordination in R&D effort. AFPA released a new policy proposal *'A National Institute for Forest Products Innovation'*, which identifies that Australia needs a nationally organised, well-funded, future-focussed, R&D organisation. The proposed R&D Institute would focus on key areas of competitive strength and accelerate the emergence of innovative, higher-value focussed sectors of the industry. It would bring together Australia's forest, wood and paper products R&D effort in a coordinated national structure to maximise impact in traditional areas such as tree growth and wood products, as well as cutting edge areas such as biomaterials, biochemicals and bioenergy.

AFPA continued its advocacy for additional Federal resources to establish a National R&D Institute throughout the 2016 election campaign. This effort was rewarded, with a $4 million commitment by the Coalition Government to support the establishment of two hubs of the National R&D Institute, one in Mt Gambier (South Australia) and the other in Launceston (Tasmania). AFPA will continue to work with the relevant State Governments to secure matched funding as well as ongoing discussions with industry players about further ensuring the National R&D Institute becomes a strong, ongoing centre delivering industry-led research.

4.4 CLIMATE CHANGE POLICY

Throughout the year AFPA continued to advocate and contribute to the development of national climate change policies and programmes. With the right policy settings, the forest, wood and paper products industry can make a significant contribution to climate change mitigation through multiple abatement pathways. These pathways include: carbon sequestration in forests and in wood and paper products, the substitution of emissions intensive building materials such as steel and concrete with timber; and the use of biomass for renewable energy (including for renewable heat energy and biofuels).

AFPA provided detailed submissions to a number of climate policy reviews and attended a number of consultative forums. AFPA is a member of the Australian Industry Greenhouse Network (AIGN).

DIRECT ACTION AND THE EMISSIONS REDUCTION FUND

The Coalition's Direct Action Plan is underpinned by the $2.55 billion Emissions Reduction Fund (ERF) to purchase carbon abatement from businesses via a reverse auction scheme. The ERF recognises energy efficiency, cogeneration and bioenergy projects as well as land sector projects such as carbon sequestration from tree planting activities via the existing Carbon Farming Initiative (CFI).

One key issue remains the lack of recognition of for-harvest plantations as a relevant carbon offset in the ERF via the related CFI. AFPA, and a number of company representatives, remained engaged in a Technical Working Group (TWG) to develop suitable methodologies for the recognition of for-harvest plantations in the CFI. Suitable methodologies will enable plantation developers to be able to bid for projects under the ERF and CFI mechanisms in the future.

The release of the draft for-harvest plantation forestry method for public consultation has had a lengthy delay, with still no firm date for release. AFPA is optimistic that it will be made available soon. Other potential forestry-related CFI methodologies, that can play a significant role in delivering lower emissions and storing carbon, have been identified. These are harvested wood products in landfill, enhanced sustainably managed natural forests, use of wood harvest and processing residues, and low emissions-intensive wood building material substitution.

THE RET AND INDUSTRIAL HEAT

Renewable energy policy and the Renewable Energy Target (RET) scheme continue to be major focus areas of AFPA's advocacy.

In 2011, the RET regulations were amended such that wood waste sourced from sustainably managed native forests were no longer eligible for renewable energy certificates (RECs). This political decision was reversed by the Government in 2015. AFPA continues to advocate for wood waste sourced from sustainably managed native forests to be maintained as an eligible source of fibre to produce renewable bioenergy under the RET.

An outstanding issue is the lack of recognition of renewable heat energy in the RET or related schemes. There are many opportunities for the utilisation of renewable heat energy in industrial processes, such as the utilisation of steam in paper making processes. Currently, the RET does not recognise renewable heat energy, despite recognising solar hot water.

AFPA continues to advocate strongly to all major political parties that the RET should include the recognition of renewable heat in its definition of energy. Such recognition has the potential to generate new investment in several thousand GWh of renewable energy per annum over the next decade.

4.5 TRADE AND MARKET ACCESS

TRADE AGREEMENTS

The Australian Government continues a significant program of trade reform and a preference for both progressing multilateral and strategic bilateral Free Trade Agreements (FTA), in the European Union (EU) FTA case, a broad-ranging FTA that includes trade in goods and services as well as investment.

AFPA supports the high-level principles of trade liberalisation to reform global trade by removing unnecessary trade barriers and promoting greater efficiency, innovation and investment. However, these principles must be applied equitably and with comparable tariff reduction commitments from our major trading partners in order to deliver positive outcomes.

New trade deals are being pursued with both India and the EU. Both FTAs have the potential to be of concern to our industry, if the right balance of tariffs and trade terms reform is not achieved. AFPA continues to engage closely with the Government on these potential FTAs. AFPA submitted comment on the potential EU FTA, stating our industries' multiple interests in EU trade and urging fair and equitable trade outcomes. AFPA has also commented on the future importance of trade with India.

ILLEGAL LOGGING

Paper and wood products are internationally traded commodities and Australia is a price taker with respect to forest products. Australian paper and wood product manufacturers already face significant international competition, and illegally sourced products from overseas distort the market and place Australian producers at a competitive disadvantage.

The Australian industry operates within a strict regulatory and compliance regime, which ensures the legality and sustainability of its operations. Illegal logging regulation must be effective in restricting the importation of illegally logged products while, at the same time, recognising the compliance regime already operating in Australia. Regulation must not impose any unnecessary and costly requirements on domestic industry.

The *Illegal Logging Prohibition Act 2012* and *Regulation 2013* applies to importers of "regulated timber products" and most domestic processors of raw logs in Australia. Processors are required to undertake due diligence on their supplies of raw logs to minimise the risk they have been illegally harvested. In March 2016, the Government finally released their response to KPMG's independent review on the impact of the regulation on small business. The KPMG report included five key recommendations which the Government is implementing subject to a Regulatory Impact Statement (RIS).

ANTI-DUMPING

Australia's commercial environment is completely exposed to international trade, but it is not a level playing field. Australian forest product producers face fierce international competition, and there are increased incidences of predatory pricing, as well as selling imported products with varying levels of quality, dubious standards and environmental compliance, and imports that are produced with government support. The price of these imported products may not reflect the 'true' cost of inputs for competing products around the globe.

AFPA remains an active member of the International Trade Remedies Forum (ITRF) and continues to advocate that, notwithstanding recent positive reforms, accessing the anti-dumping system is still onerous, time consuming and costly for industry. Further improvement is needed to make the anti-dumping system more timely and effective.

The Australian Government announced further reforms of the anti-dumping system, with a particular focus on foreign exporters to cooperate in anti-dumping investigations including facing higher dumping duties and having interim measures imposed as early as possible.

4.6 CERTIFICATION

FOREST STEWARDSHIP COUNCIL

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

The public consultation period on the third Draft of the FSC FSS ended in May 2016. Some of the more contentious issues that had been left unresolved in previous drafts, appeared for the first time in the third Draft of the Standard. These included workers' rights issues (the adequacy of Australian law in meeting the eight ILO Core Conventions); the calculation of sustainable yield; Representative Sample Areas requirements; buffer width requirements on streams; and guidance on requirements for the protection of High Conservation Value (HCV). FSC Australia received 40 submissions on the third Draft of the Standard, with around a third provided by AFPA members. AFPA also coordinated a joint Economic Chamber submission, which was endorsed by most AFPA members with an interest in FSC certification.

Field testing of the third Draft of the Standard by a registered certifying body began in June 2016. The field testing is focussed on the practicality of the indicators, whether they are achievable, and how they will be interpreted and applied by an auditor. It also includes consideration of the cost to the organisation of compliance and the cost for the certifying body to audit the indicators. The field testing report was expected to be delivered in July 2016.

Drafting of the FSC FSS is scheduled for completion by December 2016. It will then be forwarded to FSC International for endorsement. Implementation of the Australian FSC FSS is expected to begin by mid-2017.

AUSTRALIAN FORESTRY STANDARD

AFPA and members remain actively involved in the maintenance and review of Australian Forestry Standards (AFS) *AS4708–2013 Sustainable Forest Management (SFM)* and *AS4707 Chain of Custody (CoC) for certified wood and forest products*.

The AFS SFM standard provides forest owners and managers with recognition of their responsible management practices. The associated AFS CoC standard for certified wood and forest products underpins the tracking of wood and forest products through all phases of ownership, transportation and manufacturing to the end consumer.

The Australian Forest Certification Scheme (which includes both AS4707 and AS4708) is endorsed by the international standards organisation PEFC. Endorsement relies on a rigorous third party assessment against PEFC's sustainability benchmarks to ensure consistency with international requirements and also ensures that certified parties in Australia continue to benefit from the global acceptance of PEFC.

4.7 ACTIVE FOREST FIRE MANAGEMENT

Climate change and an increased fire risk will potentially impact the wood resources underpinning the forest products industry. A *Deloitte Access Economics* study (2014) has shown that mechanically removing biomass fuel from forested areas, combined with prescribed burning, could significantly reduce the incidence and degree of devastation caused by fire. Implementation of long-term bushfire mitigation strategies and targeted fuel reduction activities including trials of mechanical removal biomass should be supported.

AFPA continued to promote more active forest fire management via improved fuel reduction and bushfire preparedness activities across the forest landscape. In early 2015, the then Prime Minister, Tony Abbott, announced a new 3-year $1.5 million mechanical fuel reduction trial project as part of the National Bushfire Mitigation Programme. AFPA actively participated in the project oversight committee. The project will trial and assess mechanical fuel reduction activities in conjunction with conventional fuel reduction burning activities. It is hoped that this project will better inform fuel reduction practices in Australia, similar to the experience in other countries such as the $400 million 10-year 'Forest Landscape Restoration Programme' managed by the United States Forest Service.

AFPA increased industry advocacy for mechanical fuel reduction during the 2016 federal election campaign. A key part of this work was the preparation and production of a new policy proposal '*Can We Better Fire-proof Our Country Towns?*'. The core message of the new policy proposal was a call for the Federal Government to increase funding to $30 million to extend the current pilot program, and to expand it to a broader range of biomass removal projects across regional communities and key strategic assets (for example, power lines and water catchment areas). Key themes include: the challenge of bushfire mitigation; the costs of bushfires; the current state of research along with case studies of the impacts of a number of major bushfire events in Australia.

4.8 BIOSECURITY

GIANT PINE SCALE

Giant Pine Scale (GPS) was first detected in suburbs of Melbourne and Adelaide in October 2014. The detection in Victoria is the first record of GPS infecting *Pinus radiata*. GPS represents a significant risk to the *Pinus radiata* plantation resource through reduced productivity.

The detection of GPS has triggered an eradication response under the Emergency Plant Pest Response Deed (EPPRD). AFPA, as signatory to the EPPRD, represents the forest industry on the Consultative Committee on EPP (CCEPP) and the National Management Group (NMG). The Victorian and South Australian governments, as the affected parties, were tasked with preparing an Eradication Response Plan (ERP).

The approach taken in South Australia to remove and destroy all (82) infected trees, was successful in eradicating GPS, with surveillance and monitoring efforts ongoing to ensure 'proof of freedom'.

Victoria, with a much larger number of infected trees (almost 4,000) over a larger area, chose a chemical approach to eradicate GPS. However, the chemical efficacy trials proved unsuccessful, leaving Victoria without an effective option to eradicate GPS going forward. Victoria then investigated a commercial option to remove and destroy all infected trees. However, it was decided that this had a low probability of successful eradication and the revised ERP was subsequently withdrawn. The CCEPP is now considering options for transition to management and the development of a management plan to control GPS and limit its spread.

AFPA worked closely with affected companies, advising them of the risks GPS posed to the plantation resource, progress with the development and implementation of the initial ERP and revised ERP, as well as the deliberations of the CCEPP that led to it determining that it is no longer technically feasible to eradicate GPS in Victoria.

FOREST HEALTH AND BIOSECURITY SUBCOMMITTEE

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

The Forest Health and Biosecurity (FHaB) Subcommittee was formed in June 2015 as a subcommittee of the AFPA Resources Chamber. This provides a forum for AFPA members and forest health experts to discuss and raise awareness of biosecurity issues. It will also support AFPA, as the industry representative for Plant Health Australia and as signatory to the EPPRD, and provide guidance to the forestry representatives on the Plant Health Committee Surveillance and Diagnostics subcommittees.

4.9 FUEL TAX CREDITS COALITION

AFPA is an active member of the Fuel Tax Credits (FTC) Coalition, an alliance of eleven representative bodies drawn from a range of industries including agriculture, forestry, fishing, tourism and resources. The FTC Coalition has produced information and materials that outline the key rationale for the FTC Scheme. First, the fuel excise introduced to contribute to the cost of building public roads should not apply to diesel used off-road or in off-grid power generation. Second, the FTC scheme is founded on a fundamental principle of sound tax policy, namely that taxes on intermediate business inputs are inefficient and distortionary. The FTC industries are some of Australia's largest export earners and employ hundreds of thousands of Australians in regional and remote areas. Any change to the FTC scheme would pose significant risk to these businesses.

4.10 WORKPLACE HEALTH AND SAFETY

The AFPA Resources Chamber Workplace Health and Safety Subcommittee was formed in March 2015 to better understand where the industry sits in terms of safety and provide an impetus for change across the industry through benchmarking.

The Subcommittee is chaired by Nick Roberts (CEO of Forestry Corporation of NSW), providing a link for reporting back to the Resources Chamber on the Subcommittee's activities. It includes workplace health and safety managers from most major forest owners and managers. The Subcommittee is not a decision-making body, but puts forward recommendations for decision by the Resources Chamber.

The initial focus of the subcommittee is on:

- Safety benchmarking / reporting
- Safety best practice
- Safety leadership
- Log truck safety restraints

The Subcommittee has been working with FWPA to develop a platform for safety statistics and benchmarks. The Forest Industry Safety Database portal, hosted by Haines Muir Hill via the Forest and Wood Products Australia (FWPA) website, is now up and running. The database provides rolling 12-month average data of both lead and lag indicators. The main lag indicators are LTIFR Staff, LTIFR Contractors and Truck Roll Overs.

4.11 SA BRANCH UPDATE

AFPA expanded our footprint and established a branch in South Australia (AFPA-SA) in February 2016, to create a single, united voice for forest industries in South Australia. Membership is increasing and is drawn from across the value chain, including growers, harvest, haulage and manufacturers. State Manager Ms Clare Scriven has met with the state ministers responsible for areas that impact on forestry and forest products as well as local MPs for forestry electorates. Issues and advocacy have included carbon neutral cities, forest fire brigades, road permits for logging vehicles and AFPA's proposal for a *'National Institute for Forest Products Innovation'* (with funding committed for a hub in Mt Gambier).

Ms Scriven is lifting the profile of AFPA and forest industries in South Australia, and has addressed regional development associations, economic development networks, and the Women in Forests and Timber network, among others. AFPA-SA has had exposure through articles, opinion editorial and letters to the editor in the print media, and several radio interviews. A submission was made to the SA Parliament about Natural Resource Management (NRM) levies and feedback provided to the Environment Protection Authority about draft Air Quality policy changes.

Industry skills shortages (particularly in timber harvest and haulage), and congestion for exporters at the Port of Portland are among the current issues that the SA branch is pursuing for SA members.

4.12 REGIONAL FOREST AGREEMENTS

Regional Forestry Agreements (RFAs) are 20-year agreements between the Federal and State Governments, intended to underpin the balancing of wood production, conservation and other forest values and uses in Australia's managed native forests, while ensuring the sustainability of forest management practices. The RFAs were the result of years of scientific study, consultation and negotiation covering a diverse range of interests. The RFAs are due to expire between 2017 and 2021. AFPA is advocating for a continued commitment by the relevant parties (Federal and State Governments) to complete the RFA reviews and develop a mechanism that enables the RFAs to continue by setting up a 20-year rolling life for each agreement.

"AFPA expanded our footprint and established a branch in South Australia (AFPA-SA) in February 2016, to create a single, united voice for forest industries in South Australia."

5

ANNUAL FINANCIAL REPORT

Australian Forest Products Association Limited

ABN:40 008 621 510

Financial Statements

For the Year Ended 30 June 2016

Australian Forest Products Association Limited
ABN:40 008 621 510

Contents
For the Year Ended 30 June 2016

Australian Forest Products Association Limited
ABN:40 008 621 510

Directors' Report
For the Year Ended 30 June 2016

The directors present their report on Australian Forest Products Association Limited for the financial year ended 30 June 2016.

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
Melissa Rae Haslam	
Date Appointed	15 September 2014
Augustin Carfi	
Date Appointed	26 March 2015
Ian Tyson	
Date Appointed	16 September 2015
Geoffrey Craig Dunn	
Date Resigned	2 September 2015
Christopher William Hyne	
Date Appointed	15 November 2012
David Andrew Leighton	
Date Appointed	20 November 2013
Julian Mathers	
Date Appointed	16 September 2015
Cameron Alastair MacDonald	
Date Appointed	25 September 2012
Gregory Henry McCormack	
Date Appointed	1 November 1991
John William Tredinnick	
Date Resigned	16 September 2015
Shane Michael Vicary	
Date Resigned	16 September 2015
Jerome Coleman	
Date Appointed	16 September 2015

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

Australian Forest Products Association Limited
ABN:40 008 621 510

Directors' Report
For the Year Ended 30 June 2016

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 activities occurred during the financial year.

Objectives of the company

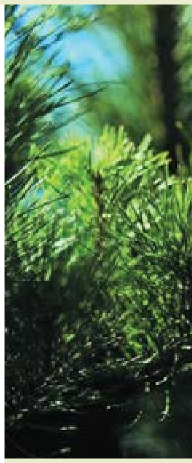
The Company's short term objectives are to:

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

Strategy for achieving the objectives

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

- consulting with industry and industry representatives to identify emerging political, commercial and environmental issues;
- liaison with politicians and their advisers to convey the identified concerns of industry;



Australian Forest Products Association Limited
ABN:40 008 621 510

Directors' Report
For the Year Ended 30 June 2016

Strategy for achieving the objectives continued

- prepare the submissions to governments on proposals which might affect the 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 2016 there were 51 members (2015: 39).

At 30 June 2016 the collective liability of members was $ 1,020 (2015: $ 780).

Operating results

The surplus of the Company amounted to $103,120 (2015: $334,516).

Australian Forest Products Association Limited
ABN:40 008 621 510

Directors' Report
For the Year Ended 30 June 2016

Meetings of directors

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

	Directors' Meetings	
	Number eligible to attend	Number attended
Ronald John Adams	4	3
Melissa Rae Haslam	4	3
Augustin Carfi	4	2
Ian Tyson	3	3
Jerome Coleman	3	3
Christopher William Hyne	4	4
David Andrew Leighton	4	4
Julian Mathers	4	3
Cameron Alastair MacDonald	4	3
Gregory Henry McCormack	4	4
John William Tredinnick	1	1
Shane Michael Vicary	1	1

Auditor's independence declaration

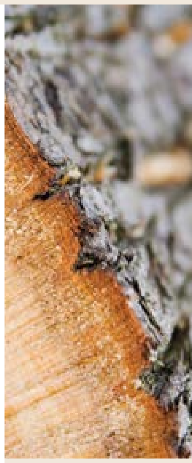
The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2016 has been received and can be found on page 5 of the financial report.

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

Director: .... Cameron Alastair MacDonald

Director: .... Gregory Henry McCormack

Dated 8 August 2016



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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 2016, 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
Chartered Accountants

R Johnson

Robert Johnson FCA
Partner

Dated 8 August 2016

Canberra

CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND

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 2016

	Note	2016 $	2015 $
Revenue and other income	2	**2,245,683**	2,025,714
Depreciation	3	**(35,522)**	(40,824)
Employee benefits expense		**(1,275,536)**	(1,056,296)
Other expenses		**(530,076)**	(391,005)
Project costs		**(166,597)**	(91,630)
Property costs		**(134,832)**	(111,443)
Current year surplus before income tax		**103,120**	334,516
Tax expense	1(c)	**-**	-
Net current year surplus		**103,120**	334,516
Total comprehensive income for the year		**103,120**	334,516

The accompanying notes form part of these financial statements.

Australian Forest Products Association Limited

ABN:40 008 621 510

Statement of Financial Position

As At 30 June 2016

	Note	2016 $	2015 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	**1,234,577**	1,237,736
Trade and other receivables	5	**130,745**	79,815
Prepayments	6	**3,696**	10,071
TOTAL CURRENT ASSETS		**1,369,018**	1,327,622
NON-CURRENT ASSETS			
Property, plant and equipment	3	**1,609,419**	1,642,548
TOTAL NON-CURRENT ASSETS		**1,609,419**	1,642,548
TOTAL ASSETS		**2,978,437**	2,970,170
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	**148,440**	161,491
Employee benefits	8	**70,986**	44,861
Other liabilities	9	**606,993**	695,214
TOTAL CURRENT LIABILITIES		**826,419**	901,566
NON-CURRENT LIABILITIES			
Employee benefits	8	**36,449**	56,155
TOTAL NON-CURRENT LIABILITIES		**36,449**	56,155
TOTAL LIABILITIES		**862,868**	957,721
NET ASSETS		**2,115,569**	2,012,449
EQUITY			
Asset realisation reserve		**1,042,625**	1,042,625
Retained earnings		**1,072,944**	969,824
		2,115,569	2,012,449
TOTAL EQUITY		**2,115,569**	2,012,449

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 2016

2016

	Retained Earnings	Asset Realisation Reserve	Total
	$	$	$
Balance at 1 July 2015	**969,824**	**1,042,625**	**2,012,449**
Surplus for the year attributable to members of the entity	**103,120**	**-**	**103,120**
Balance at 30 June 2016	**1,072,944**	**1,042,625**	**2,115,569**

2015

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

The accompanying notes form part of these financial statements.

Australian Forest Products Association Limited
ABN:40 008 621 510

Statement of Cash Flows
For the Year Ended 30 June 2016

	Note	2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**2,252,784**	2,093,537
Payments to suppliers and employees		**(2,261,862)**	(1,777,931)
Interest received		**8,312**	13,210
Net cash provided by (used in) operating activities	14	**(766)**	328,816
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**(2,393)**	(1,530)
Net cash used by investing activities		**(2,393)**	(1,530)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in cash and cash equivalents held		**(3,159)**	327,286
Cash and cash equivalents at beginning of year		**1,237,736**	910,450
Cash and cash equivalents at end of financial year	4	**1,234,577**	1,237,736

The accompanying notes form part of these financial statements.

Australian Forest Products Association Limited
ABN:40 008 621 510

Notes to the Financial Statements
For the Year Ended 30 June 2016

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

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

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

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

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

Accounts Payable and Other Payables

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

(b) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

(c) Income Tax

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

(d) Critical Accounting Estimates and Judgements

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

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

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

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

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

Notes to the Financial Statements
For the Year Ended 30 June 2016

1 Summary of Significant Accounting Policies continued

(e) Revenue and other income

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

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

Key judgements

(i) Employee benefits

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

Interest revenue

Interest is recognised using the effective interest method.

Rental income

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

(f) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of GST.

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

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

(g) Property, Plant and Equipment

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

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

Australian Forest Products Association Limited
ABN:40 008 621 510

Notes to the Financial Statements
For the Year Ended 30 June 2016

1 Summary of Significant Accounting Policies continued

(g) Property, Plant and Equipment continued

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

Land and buildings

Land and buildings are measured using the revaluation model.

Plant and equipment

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

Depreciation

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

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

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

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

(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.

Australian Forest Products Association Limited
ABN:40 008 621 510

Notes to the Financial Statements

For the Year Ended 30 June 2016

1 Summary of Significant Accounting Policies continued

(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 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.

Employee benefits are presented as current liabilities in the statement of financial position if the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

(k) New Accounting Standards for Application in Future Periods

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

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

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

The key changes that may affect the company on initial application of AASB 9 and associated Amending Standards include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to the hedging of non-financial items. Should the company elect to change its hedge accounting policies in line with the new hedge accounting requirements of AASB 9 , the application of such accounting would be largely prospective.

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

Australian Forest Products Association Limited
ABN:40 008 621 510

Notes to the Financial Statements
For the Year Ended 30 June 2016

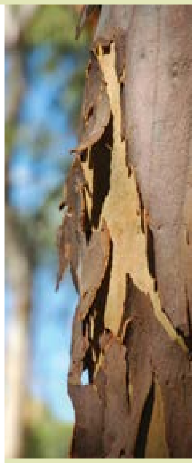
2 Revenue and Other Income

	2016	2015
	$	$
- Rental income	**97,190**	112,717
- Project income	**197,982**	86,142
- Member subscriptions	**1,881,570**	1,768,477
- Other income	**60,629**	45,168
- Interest received	**8,312**	13,210
	2,245,683	2,025,714

3 Property, plant and equipment

	2016	2015
	$	$
Land & Buildings		
At independent valuation	**1,655,000**	1,655,000
Accumulated depreciation	**(54,806)**	(27,750)
Total land & buildings	**1,600,194**	1,627,250
Plant and equipment		
At cost	**53,182**	53,182
Accumulated depreciation	**(53,182)**	(53,182)
Furniture and fittings		
At cost	**32,765**	32,765
Accumulated depreciation	**(32,245)**	(32,089)
Total furniture and fittings	**520**	676
Office equipment		
At cost	**105,934**	103,541
Accumulated depreciation	**(97,229)**	(88,919)
Total office equipment	**8,705**	14,622
Total plant and equipment	**9,225**	15,298
	1,609,419	1,642,548

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.



Australian Forest Products Association Limited
ABN:40 008 621 510

Notes to the Financial Statements
For the Year Ended 30 June 2016

3 Property, plant and equipment continued

Contingent Liability

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

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

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

	Land & Buildings $	Plant and Equipment $	Furniture, Fixtures and Fittings $	Office Equipment $	Total $
Year ended 30 June 2016					
Balance at the beginning of year	**1,627,250**	**-**	**676**	**14,622**	**1,642,548**
Additions	**-**	**-**	**-**	**2,393**	**2,393**
Depreciation expense	**(27,056)**	**-**	**(156)**	**(8,310)**	**(35,522)**
Balance at the end of the year	**1,600,194**	**-**	**520**	**8,705**	**1,609,419**

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

Australian Forest Products Association Limited
ABN:40 008 621 510

Notes to the Financial Statements
For the Year Ended 30 June 2016

4 Cash and cash equivalents

	2016	2015
	$	$
Cash on hand	**-**	150
Cash at bank	**603,426**	614,715
Cash at bank and in hand	**603,426**	614,865
Short-term bank deposits	**631,151**	622,871
	1,234,577	1,237,736

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:

	2016	2015
	$	$
Cash and cash equivalents	**1,234,577**	1,237,736

5 Trade and other receivables

	2016	2015
	$	$
Trade receivables	**163,745**	101,815
Provision for impairment	**(33,000)**	(22,000)
	130,745	79,815

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
	$	$	$	$	$
2016					
Trade and term receivables and other debtors	**130,745**	**7,035**	**4,895**	**79,524**	**39,291**
Total	**130,745**	**7,035**	**4,895**	**79,524**	**39,291**
2015					
Trade and term receivables and other debtors	79,815	5,944	4,986	68,885	-
Total	79,815	5,944	4,986	68,885	-

Notes to the Financial Statements
For the Year Ended 30 June 2016

5 Trade and other receivables continued

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

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

6 Prepayments

	2016 $	2015 $
Prepayments	**2,061**	10,071
ICFPA Conference	**1,635**	-
	3,696	10,071

7 Trade and other payables

	2016 $	2015 $
GST payable	**30,698**	50,730
Trade payables	**69,582**	55,315
Credit cards	**3,182**	12,942
Employee benefits	**29,058**	15,822
Accrued expenses	**15,920**	26,682
	148,440	161,491

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

Australian Forest Products Association Limited
ABN:40 008 621 510

Notes to the Financial Statements
For the Year Ended 30 June 2016

8 Employee Benefits

	2016	2015
	$	$
Current liabilities		
Long service leave	**22,209**	-
Provision for employee benefits	**48,777**	44,861
Balance at 30 June 2016	**70,986**	44,861

	2016	2015
	$	$
Non-current liabilities		
Long service leave	**36,449**	56,155

9 Other liabilities

	2016	2015
	$	$
Plantation for Australia: The 2020 Vision Project	**80,117**	120,117
Forest Industry Herbicide Research Consortium	**526,876**	575,097
	606,993	695,214

Vision 2020.

This fund is held by Australian Forest Products Association Limited but can only be expended with the agreement of three other parties.

Herbicide Consortium

During the next financial year this fund will transfer in its entirety to another entity.

10 Tenant Leasing Commitments

	2016	2015
	$	$
Minimum lease payments under non-cancelable operating leases:		
- not later than one year	**52,360**	78,163
- between one year and five years	**49,737**	81,600
	102,097	159,763

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.

Australian Forest Products Association Limited
ABN:40 008 621 510

Notes to the Financial Statements
For the Year Ended 30 June 2016

11 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	
	2016	**2014**
	$	**$**
Financial Assets:		
Cash and cash equivalents	1,234,577	1,237,736
Total Financial Assets	**1,234,577**	1,237,736

(i) Cash flow interest rate sensitivity

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

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

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +1.00% and -(1.00)% (2015: +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.

	2016		**2015**	
	+1.00%	**-(1.00)%**	**+1.00%**	**-1.00%**
	$	**$**	**$**	**$**
Net surplus	**12,346**	**(12,346)**	12,377	(12,377)

Australian Forest Products Association Limited
ABN:40 008 621 510

Notes to the Financial Statements

For the Year Ended 30 June 2016

11 Financial Risk Management continued

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.

12 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 2016 the number of members was 51 (2015: 39).

13 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2016 (30 June 2015:None).

Australian Forest Products Association Limited
ABN:40 008 621 510

Notes to the Financial Statements
For the Year Ended 30 June 2016

14 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:

	2016 $	2015 $
Surplus/(deficit) for the year	**103,120**	334,516
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation	**35,522**	40,824
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	**(50,930)**	(53,793)
- (increase)/decrease in GST debtor	**-**	818
- (increase)/decrease in prepayments	**6,374**	7,284
- increase/(decrease) in income in advance	**(88,220)**	(20,556)
- increase/(decrease) in trade and other payables	**6,980**	(36,288)
- increase/(decrease) in GST creditor	**(20,031)**	50,730
- increase/(decrease) in employee benefits	**6,419**	5,280
Cashflow from operations	**(766)**	328,815

Australian Forest Products Association Limited
ABN:40 008 621 510

Notes to the Financial Statements

For the Year Ended 30 June 2016

15 Events Occurring After the Reporting Date

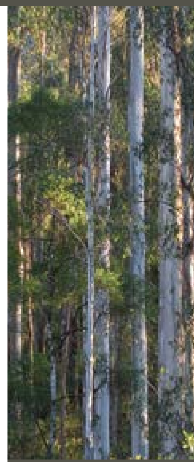
The financial report was authorised for issue on 8 August 2016 by the Finance Committee.

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.

16 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 1 to 21, are in accordance with the *Corporations Act 2001* and:

    (a) comply with Australian Accounting Standards; and

    (b) give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the entity.

2. In the directors' opinion, there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

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

Director ....
Cameron Alastair MacDonald

Director ....
Gregory Henry McCormack

Dated 8 August 2016

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more than accounting

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Hardwickes Partners Pty Ltd
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approved under Professional
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 2016, 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.

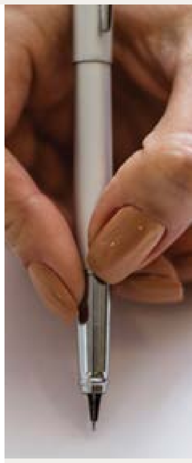
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. 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.

CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND



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Hardwickes Partners Pty Ltd
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Independent Audit Report to the members of Australian Forest Products Association Limited

Opinion

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

(a) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Hardwickes
Chartered Accountants

Robert Johnson FCA
Partner

Canberra

8 August 2016

CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND

CREDITS

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