

2016-17

AUSTRALIAN FOREST
PRODUCTS ASSOCIATION

**ANNUAL
REPORT**

FULL MEMBERS

African Mahogany (Australia)
Allied Natural Wood Exports (ANWE)
Allied Timber Products
Altus Renewables
Associated Kiln Driers (AKD Softwoods)
Australian Forest Contractors Association Ltd (AFCA)
Australian Paper
Australian Sustainable Hardwoods
Auswest Timbers
Boral Timber
Carter Holt Harvey
CO2 Australia
Engineered Wood Products Association of Australasia
Forest Industries Association Tasmania (FIAT)
Forest Industries Federation WA (FIFWA)
Forest Products Commission
Forestry Corporation of NSW
Sustainable Timber Tasmania
Forestry SA
Global Forests Partners Group (GFPG)
Hume Forests
Australian Bluegum Plantations
Green Triangle Forest Products
HQPlantations
HVP Plantations
Hyne & Son
McDonnell Industries
Midway
New Forests Asset Management
Forico
Norske Skog (Australasia)
OneFortyOne Plantations
Pentarch Forest Products
PF Olsen (Australia)
Timber NSW
Timber Queensland
Timberlink Australia
VicForests
Victorian Association of Forest Industries (VAFI)
Visy Industries
WA Bluegum
WA Plantation Resources Pty Ltd
Weathertex
Wesbeam
Wespine Industries
Whiteheads Timber Sales

ASSOCIATE MEMBERS

Appita
Australian Forest Growers
Circa Group
Fennell Forestry
Kangaroo Island Plantation Timber
Kimberly-Clark Australia
Koppers Australia
Lonza Wood Protection
Porthaul
Softwood Working Group
South East Pine
Tabeel Trading
Van Schaik's Bio Gro

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CHAIRMAN'S OVERVIEW

The Australian Forest Products Association (AFPA) concludes the year with our finances and assets in good order and a positive forward outlook.

Prudent and responsible management of the available budget by our AFPA team is one reason I am able to deliver this statement.

But most importantly it is the strength of the AFPA membership which is delivering this outcome.

The list of member companies contained in this annual report is a 'who's who' of the major forest and forest product industry players in this country.

That list represents a very large part of the economic weight of the industry right across the value chain. It is a list which has now grown to such an extent that the other list - of those who are still to join us - is quite short indeed. We do persist in attempting to persuade those outside the tent that there is much to be gained from becoming full members of course. The most eloquent argument for this however is action and that is what we can now point to.



“Without the single voice in Canberra which is AFPA – supported by sympathetic voices through the Associations in all the States - we would struggle to be heard amongst the very many voices clamouring for policy attention.”

Without the single voice in Canberra which is AFPA – supported by sympathetic voices through the Associations in all the States - we would struggle to be heard amongst the very many voices clamouring for policy attention.

The energy crisis confronting many of our businesses is a case in point. As members are only too painfully aware, skyrocketing gas and electricity costs are strangling our manufacturing operations. This is the biggest challenge many of us in leadership have ever faced. Certainly it is the most profit destroying challenge we have faced since the dollar was at such impossible heights some five years ago.

Even the parts of the value chain not so directly exposed to gas contracts are fully focused on this spiralling cost. We all need strong forest product manufacturing operations in this country – if those businesses suffer all of us feel it.

Through our united efforts AFPA has been able to insert our particular challenges and specific demands into this energy debate.

It is yet to play out fully but our operations, and the specific needs of AFPA members (such as for thermal heat to be equally accepted with electrical generation in policy mechanisms) are, as I write, being fully explored by the Government. Vitally however AFPA has also been working with the Opposition on energy and climate change policy, as when it comes to forest industries, we must have bipartisan support for any policy prescription. Without such “across the aisle” handshakes, there is too much potential sovereign risk in any policy area and our head offices will not invest the millions required in any new capital asset - for example building a renewable biomass powered thermal energy plant.

In other areas we have serious challenges as well. The Regional Forest Agreements (RFAs) are being renegotiated. Those agreements are vital for the future of not just our native forest industries but also some plantation areas.

AFPA is working closely with the Federal Government to try to ensure that the agreements are renewed against a surge of strident, misleading, deep Green activism. We are also determined to ensure the new RFAs are robust enough to not lose yet more access to resource land during the life of the RFAs, noting that around three million hectares of operational multiple-use forestry lands were moved into reserves with none coming back into production areas during the life of the current RFAs.

It is in these times of crisis that our voice must be united, focused, and strong but also very clear and specific. Political processes are unmoved by vague, woolly demands of many interest groups – no matter how reasonable.

It is actually not difficult to obtain media time by raising a general complaint and lamenting how things are not the way they should be.

It is far more difficult, but ultimately far more effective, to think through the challenge and provide the solution – especially if you can offer a solution which accommodates the political, social and economic atmospherics and does not allow the perfect to be the enemy of the good.

AFPA has been doing this for some years and we are seeing the dividends. The notion of a regional approach to our businesses has taken hold as a way of thinking about our future and will be informing future policy announcements such as Emissions Reduction Fund (ERF) carbon payments for plantations.

Our ‘sunrise not sunset’ mantra was persuasive enough that an additional \$8 million in Federal and State Government research funding is about to commence flowing into Mt Gambier and Launceston to make the National Institute for Forest Products Innovation a reality.

The Emissions Reduction Assurance Committee which determines the foundation pieces for climate payments through the ERF, has recently, ticked off on plantations as ‘carbon positive’ for Australia.

“Globally the markets for renewable wood fibre, timber and paper products are strong. Domestically our continued population growth and ever increasing focus on the renewable and sustainable will ensure our products are in growing demand.”

In South Australia, the Premier launched our ‘Building Greener Cities from Timber’ initiative and in Tasmania – thanks must go to Planet Ark and FIAT – the industry has the first Statewide “timber preferment” policy.

Globally the markets for renewable wood fibre, timber and paper products are strong. Domestically our continued population growth and ever increasing focus on the renewable and sustainable will ensure our products are in growing demand.

AFPA continues to work collaboratively on national biosecurity, sustainable forest management certification, and trade agreement policy frameworks to name a few.

AFPA will continue to deliver policies and thinking to open up more of these big picture opportunities whilst never taking a break from the immediate tasks we have given the organisation of delivering in the policy arena where issues affect us so dramatically and immediately – such as energy policy in this country.

I thank the AFPA Directors for their enthusiastic service, especially my Deputy Chair Mr Andrew Leighton and Treasurer Mr Cameron MacDonald.

Ross Hampton and the team have all contributed significantly to our operations throughout the year and I thank them for their dedication and service to Industry..

Greg McCormack

Chairman

CEO's REPORT

At the close of this financial year I am pleased to be able to report to Members that your Association is travelling well against our key performance indicators.

AFPA's Vision is to have the most profound and positive impact on the forest products industries of Australia. We strive to produce the best possible operating and policy environment to allow that success to take place and, as you all know very well, that means both the economic and social landscape must be sympathetic to our cause.

Nested under this vision are our key areas where we must deliver excellence if we are to enable that change to take place. We seek to be exemplary in advocacy, policy, member services, communications and internal management.

If we get these cylinders all firing in unison we open the way for real breakthroughs in the policy landscape. If they are not all optimised we make it so much harder.

Thanks to the belief and backing of Members and Associate Members, I can report that at the end of this financial year, the AFPA machine is running very well.



“Our team is passionate about your business and we remain determined to bring about the policy changes which will see our industries recognised ...”

Our internal processes and the management of meetings, budgets and associated outputs are all meeting the high performance standards the Board sets. The same can be said for our communications and policy areas, where again we are poised to expand our efforts to make further inroads in the coming year.

We will be able to truly move into the social media space in the coming year, enabling us to better counter the misinformation which is sometimes spread about our industry and which is not challenged nearly enough – especially in the native forestry policy arena.

Thank you for your belief and backing. Our team is passionate about your business and we remain determined to bring about the policy changes which will see our industries recognised for what they are: climate positive, environmentally sound, sustainable, and arguably the greatest provider of year round, satisfying, well-paid jobs in regional communities around this nation.

My thanks to all Members and Associate Members.

My thanks to the AFPA Board of Directors who selflessly provide enormous time and energy to ensure that AFPA's efforts remain highly focused and carry forward the concerns of all sectors of the industry.

Thanks finally to the dedicated AFPA staff who work long hours on the issues which affect your businesses.

A handwritten signature in black ink, appearing to read 'Ross Hampton'. The signature is stylized and fluid.

Ross Hampton

Chief Executive Officer



1

**AFFPA'S OBJECTIVES
AND POLICY PRIORITIES**

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.

1.2 INDUSTRY POLICY 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

Growers Chamber

The Growers Chamber covers all of the major plantation owners and Government Business Enterprises managing native forests as well as leading plantation management services companies, forest contractors, farm foresters and environmental services.

Hardwood Processing Chamber

The Hardwood Processors Chamber covers hardwood sawmillers and processors, engineered wood producers, hardwood woodchip exporters, bio-pellet producers, wood treatment chemical companies and State industry associations, providing timber building solutions for Australia's housing industry.

Softwood Manufacturing Chamber

The Softwood Manufacturing Chamber covers softwood sawmillers and softwood manufacturers.

Pulp, Paper and Bioproducts Chamber

The Pulp, Paper and Bioproducts Chamber covers major pulp, paper and bioproduct companies. It is a diverse sector producing a range of paper and paperboard products, including tissue, printing and writing papers, newsprint and packaging papers.







2

GOVERNANCE

GOVERNANCE

2.1 AFPA BOARD

AFPA is governed by a membership-based Board, comprising up to 12 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 AS AT JUNE 2017

- Mr Greg McCormack (Chairman)
- Mr Andrew Leighton (Deputy Chair)
- Mr Cameron MacDonald (Treasurer)
- Mr Paul Michael
- Mr Geoff Harris
- Mr Jon Kleinschmidt
- Mr Ian Telfer
- Mr James Malone
- Mr Gus Carfi
- Mr Craig Dunn
- Mr Jerome Coleman
- Mr Ian Tyson

2.1 AFPA STAFF

AFPA's Constitutional Objects are supported by a small dedicated team of nine employees.

The Chief Executive Office provides strategic guidance to the staff and ensures that output is in line with the Company's agreed Vision, Strategy and Execution, which is revisited from time to time to ensure it remains fit for the season. A key role for the CEO is also ensuring that member expectations are, as far as possible, met noting that the Association is entirely funded by voluntary membership fees.

AFPA employs four senior officers who assist in managing the affairs of the four Chambers which are named in the AFPA Constitution; Pulp, Paper and Bioproducts, Softwood Manufacturing, Hardwood Processing and Growers. These four Managers also have carriage of some key policy areas such as climate change, energy or certification.

One of these Managers is based in South Australia and for two days per week operates as the AFPA SA Manager.

The work of AFPA SA is funded separately by companies who are based in South Australia.

Strong communications output is a key deliverable for AFPA. A Communications Manager develops and deploys communications materials in both traditional and new media markets. AFPA uses press releases, opinion pieces, videos and more lately social media, but always with the Association's high level Vision and Strategy guiding the effort.

AFPA's policy and communications work could not exist without office support in the form of the two other key staff members.

The Bookkeeper and Company Secretary is a combined role at AFPA. This is a position which requires attention to detail and the ability to switch between very different jobs. AFPA's compliance with all ASIC requirements is met by this person.

The Executive Assistant to the CEO fills a vital place in the organisation. This role ensures that Member requests for CEO time are met promptly and efficiently. This role is also the interface between AFPA and the key political and policy offices with which AFPA - especially the CEO - is seeking to engage.



3

COMMUNICATIONS

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.

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 more than 600 followers (without promoted posts or advertisements). AFPA is maximising social media platforms such as Twitter and our Facebook 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 60 media releases this year. 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.





3

**SELECTED
POLICY AREAS**

SELECTED POLICY AREAS

4.1 FOREST INDUSTRY ADVISORY COUNCIL (FIAC) AND NATIONAL FOREST INDUSTRIES UPDATE

- The Forest Industry Advisory Council (FIAC) was established in 2013 to advise the Federal Government on building a positive future for the forest products industry and provide recommendations on proposed legislation and future policy. The FIAC paper, "Transforming Australia's Forest Products Industry", was released in June 2016.
- How the FIAC paper will interface with a proposed 'National Forest Industries Plan' is still to be known. AFPA continues to work with Minister Ruston's office and the Department of Agriculture and Water Resources on delivering a National Forest Industries plan.

4.2 R&D NATIONAL INSTITUTE

- The Turnbull Government committed \$4 million in the 2016 election to support the establishment of two nodes of a National Forest Products R&D Institute, one in Mt Gambier (South Australia) and the other in Launceston (Tasmania). AFPA continues to work with the Department, State and Federal Ministers and Industry to finalise an effective structure which sees industry decision making and consultation on R&D activities at the core.

4.3 CARBON POLICY – CFI AND THE ERF

- The Coalition Government's Direct Action plan to achieve climate change mitigation remains underpinned by the \$2.55 billion Emissions Reduction Fund (ERF) to purchase carbon abatement from businesses via a reverse auction scheme. The first five ERF auctions have yielded 189 million tonnes of abatement at an average price of \$11.83 per tonne. Around \$300 million remains in the ERF. A sixth ERF auction is to be conducted in December 2017.
- The ERF safeguard mechanism is designed to ensure that emissions reductions purchased through the Emissions Reduction Fund (ERF) are not offset by significant increases in emissions above business-as-usual levels elsewhere in the economy. It commenced on 1 July 2016. The ERF safeguard mechanism applies to facilities with direct scope 1 emissions of more than 100,000 tonnes of carbon dioxide equivalence (tCO₂-e) per year. Some member companies are liable entities under the safeguard mechanism. AFPA continues to consult with the Department of Environment and the Clean Energy Regulator on its implementation and any potential changes in policy focus.
- The Carbon Farming Initiative (CFI) acts as a crediting scheme for the ERF for land sector projects. AFPA participated on the technical working group (TWG) established by the Department of Environment to develop the now released forestry-related CFI methodologies, including finalising a method for plantation forestry. AFPA also continues to work with industry on other potential forestry-related CFI methodologies including 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.

- Biomass can be used for renewable electricity, heat and liquid fuels, or as a chemical feedstock for bio-based products. Bioenergy is essentially renewable and carbon neutral. The contribution of bioenergy to renewable energy and climate change policy is underdeveloped in Australia. Renewable energy policy reform is a major focus for AFPA.
- AFPA continues to argue that any national renewable energy policy (e.g. the Renewable Energy Target (RET)) should promote renewable energy opportunities for bioenergy, including for renewable electricity, industrial heat and biofuels. AFPA continues to advocate support for bioenergy projects and recognition of renewable heat in the RET.
- AFPA maintains a strategic alliance with Bioenergy Australia and member organisations to support a positive message on bioenergy, its carbon neutrality and its significant potential in climate change and renewable energy policy.

4.4 ENERGY POLICY – BIOENERGY & INDUSTRIAL HEAT

- Throughout the year AFPA worked with the Forest Stewardship Council of Australia (FSC Australia) and other stakeholders to finalise the FSC Australia Standard and for the standard to be sent to FSC International for comment. AFPA continues to work on the Australian Forestry Standard, Standards Review Committee, consulting with members and providing feedback as and when required.

4.5 CERTIFICATION (FSC & AFS)

- The detection of Giant Pine Scale (GPS) in Victoria and South Australia in 2014 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 Emergency Plant Pests (CCEPP) and the National Management Group (NMG). The Victoria and South Australia governments, as the affected parties, were tasked with preparing a GPS Response Plan.
- After significant effort, the Victorian Government was unable to eradicate GPS. Consequently, under the deed, stakeholders need to plan for the exit of the Government from the incursion response. This Transition to Management Plan was finalised on 8 May 2017 by the NMG. AFPA continues to work with the Victorian and South Australian Government in the delivery of this Transition to Management Plan.

4.6 BIOSECURITY



4.7 FREE TRADE AGREEMENTS (FTAS)

- The Australian Government continues a significant program of trade reform and a preference for progressing multilateral and strategic bilateral Free Trade Agreements (FTAs). 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 to deliver potential positive outcomes.
- New trade deals are being pursued with Hong Kong, the UK, India, Indonesia, the EU, TPP, WTO agreement on Government Procurement, RCEP and an Environmental Goods Agreement (EGA). Any of these trade agreements 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 with the Department of Foreign Affairs and Trade on trade negotiations that impact our industries.

4.8 ANTI-DUMPING SYSTEM

- The Government continues to work on further reforms of the anti-dumping system, with a focus on ensuring foreign exporters cooperation in anti-dumping investigations; including facing higher dumping duties and having interim measures imposed as early as possible.
- AFPA remains an active member of the International Trade Remedies Forum engaging in system reform and operation. Members of the ITRF are appointed by the Minister. The membership of the ITRF reflects the broad interests and issues of Australian manufacturers, producers, importers, downstream industry, industry associations and trade unions.

4.9 FUEL TAX CREDITS ALLIANCE

- The Fuel Tax Credits (FTC) Scheme is extremely important to the forest products supply chain. It also is a recurring target around Federal budget time for tax reform (government revenue raising) as it is seen, erroneously, as a tax subsidy by some parties who don't understand, or choose to ignore, its basis as a rebate for fuel excise paid on diesel used for off-road activities.
- AFPA is a member of the FTC Alliance (a coalition of groups from the agriculture, fishing, forestry, tourism and resources sectors) that continue to advocate the case for the FTCS. In 2015, the FTC Alliance released a detailed brochure called Powering Regional Australia: The Case for Fuel Tax Credits and in Feb 2017, a smaller brochure on FTCs designed to promote a balanced and informed debate on the purpose and impact of the FTCS was developed.

4.10 REGIONAL FORESTRY AGREEMENTS

- The Regional Forest Agreements (RFAs) are 20-year plans for the conservation and sustainable management of Australia's native forests. They represent the cornerstone of native forest policy in Australia.
- The 10 RFAs across Victoria (five), NSW (three), Tasmania and Western Australia are all coming up for renewal in the next few years. AFPA works closely with the state associations, our members and the Federal Government towards securing the best outcome for our industry. The renewal of the Tasmanian RFA was recently achieved
- Although there is bipartisan support at a national level to extend the RFAs, the renewal process nonetheless faces some challenges. AFPA is focused on securing long-term extensions to the agreements that provide certainty, continued access to the volume and quality of resource our industry needs, and strike the right balance between environmental, economic and social considerations.

- AFPA has continued to advocate for a robust regulatory framework to safeguard against the importation of timber products sourced from illegally or unsustainably harvested forests overseas. With a Federal Government review of Australia's illegal logging regulations underway, AFPA has worked with WWF and FSC/AFS to present a united front against proposals to water down the existing provisions.
- AFPA's submission to the review consultation process argued there should be no reduction in the existing \$10,000 consignment value threshold at which the regulatory requirements are triggered, as this would exempt an unacceptably high percentage of consignments from due diligence requirements. The Government is expected to announce its response to the review of Australia's illegal logging regulations soon.

4.11 ILLEGAL LOGGING

- AFPA, as a member of the Federal Department of Agriculture and Water Resources' Grain and Plant Products Industry Export Consultative Committee (GPPEICC), works closely with the Government to ensure Australia's export regulatory framework supports our industry's trade operations.
- Key activities for AFPA in 2016-17 include the Government's review of export certification cost recovery arrangements. AFPA's role on the industry consultative body places us in a strong position to advocate for a better outcome for our members when the new cost recovery model is introduced in late 2017.
- AFPA has also succeeded in gaining agreement from the Department to allow external Authorised Officers (AOs) to undertake phytosanitary inspections of empty bulk vessels at berth, a function that was previously restricted to departmental officials. Our members had raised this as a source of delays and congestion during peak periods, particularly at the Port of Portland. This option will be available in mid to late 2017.

4.12 EXPORT REGULATIONS

- AFPA continues to promote more active forest fire management via improved fuel reduction and bushfire preparedness activities across the forest landscape. The three mechanical fuel reduction trial projects underway in WA, Victoria and NSW as part of the Federal Government's National Bushfire Mitigation Programme, will provide valuable evidence by assessing the impact of mechanical fuel reduction activities in conjunction with conventional fuel reduction burning activities.
- AFPA continues to advocate for the expansion of biomass removal projects across regional communities and key strategic assets (for example, power lines and water catchment areas). With another bushfire season coming up, and with recent international examples highlighting the importance of strategic fuel reduction, we will promote the strategic role of mechanical fuel reduction and seek increased Government funding for the pilot program extension.

4.13 BUSHFIRE MITIGATION



4.14 AFPA SA BRANCH

- The South Australian Branch of AFPA commenced operations in January 2016. A summary of the key activities of the Branch during 2016/17 include:
 - The establishment of a Strategic Guidance Council to work with the SA Manager to develop and help execute agreed strategy for the Branch.
 - Sixteen companies joined the Branch during the year and includes growers, manufacturers, harvest, haulage and bio-product companies.
 - Membership is primarily based in the Limestone Coast region, but also includes the Mt Lofty Ranges and Kangaroo Island.
 - Through targeted activities, AFPA SA has successfully improved engagement with SA Government ministers, resulting in a higher profile for the industry in South Australia. Identifying and advocating policy settings that benefits the industry has been a key focus during the year.
 - One of the highlights for the year was the agreement by the SA Premier, Jay Weatherill MP, to launch AFPA's 'Building Greener Cities with Timber' Symposium in Adelaide on 6th April 2017. The Premier announced a process to examine economic opportunities that could flow from focusing on Adelaide becoming carbon neutral in the built environment. AFPA is now working with the Minister for Manufacturing to establish a 'Building Greener Cities with Timber' Industry Roundtable, involving industry, academia and government. Two events are being planned in October 2017 for metropolitan Adelaide and Mt Gambier.
 - Major industry issues identified for the Branch have been energy security and affordability, water allocations and resource security. These issues will form part of AFPA SA's 2018 Election Manifesto.
 - Skills shortages in the industry led to AFPA SA working with regional stakeholders to attract skilled workers to the Limestone Coast. This included conducting a seminar with industry members in September 2016 for employees at Adelaide's Holden plant.
- In summary, it is pleasing to highlight that AFPA SA's advocacy and lobbying strategies during 2016/17 has successfully raised the profile of the industry and the Association. This has been achieved through articles, letters and interviews in print media, radio and television. This media coverage has occurred in both Adelaide and in Mount Gambier.





5

**ANNUAL
FINANCIAL REPORT**



Australian Forest Products Association Limited

ABN:40 008 621 510

Financial Statements

For the Year Ended 30 June 2017

Australian Forest Products Association Limited

ABN:40 008 621 510

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Australian Forest Products Association Limited

ABN:40 008 821 510

Directors' Report For the Year Ended 30 June 2017

The directors present their report on Australian Forest Products Association Limited for the financial year ended 30 June 2017.

Directors

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

Names	Appointed/Resigned
Ronald John Adams	Resigned: 24 November 2016
Augustin Carfi	Appointed: 26 March 2015
Julian Mathers	Resigned: 1 March 2017
Melissa Rae Haslam	Term ended: 6 September 2016
Christopher William Hynes	Resigned: 24 November 2016
David Andrew Leighton	Appointed: 20 November 2016
Cameron Alastair MacDonald	Appointed: 25 September 2016
Gregory Henry McCormack	Appointed: 1 November 1991
Ian Tyson	Appointed: 16 September 2015
Paul Michael	Appointed: 7 September 2016
Jonathan Kleinschmidt	Appointed: 7 September 2016
James Malone	Appointed: 24 November 2016
Ian Telfer	Appointed: 24 November 2016
Geoff Harris	Appointed: 24 November 2016
Jerome Coleman	Appointed: 16 September 2016
Craig Dunn	Appointed: 26 April 2017

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

Principal activities

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

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

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

Australian Forest Products Association Limited

ABN:40 008 621 510

**Directors' Report
For the Year Ended 30 June 2017****Objectives of the company**

The Company's short term objectives are to:

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

Strategy for achieving the objectives

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

- consulting with industry and industry representatives to identify emerging political, commercial and environmental issues;
- liaison with politicians and their advisers to convey the identified concerns of industry;
- prepare the submissions to governments on proposals which might affect 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

Australian Forest Products Association Limited

ABN:40 008 621 510

Directors' Report For the Year Ended 30 June 2017

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 2017 there were 55 members (2016: 51).

At 30 June 2017 the collective liability of members was \$ 1,100 (2016: \$ 1,020).

Operating results

The surplus of the Company amounted to \$92,983 (2016: \$103,120).

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	2	2
Augustin Carfi	4	2
Julian Mathers	3	2
Melissa Rae Haslam	1	1
Christopher William Hynes	2	2
David Andrew Leighton	4	4
Cameron Alastair MacDonald	4	4
Gregory Henry McCormack	4	3
Ian Tyson	4	3
Paul Michael	3	3
Jonathan Kleinschmidt	3	2
James Malone	2	2
Ian Teifer	2	2
Geoff Harris	2	1
Jerome Coleman	4	4
Craig Dunn	1	1

Australian Forest Products Association Limited

ABN:10 088 821 510

**Directors' Report
For the Year Ended 30 June 2017****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 2017 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

Date: 7 August 2017



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Hardwickes
ABN 35 973 938 183

Hardwickes Partners Pty Ltd
ABN 21 008 401 536

Liability limited by a scheme
approved under Professional
Standards Legislation


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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017, there have been:

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

Hardwickes

Hardwickes
Chartered Accountants


Robert Johnson FCA
Partner

Date: 7 August 2017

Canberra



Australian Forest Products Association Limited
 ABN:40 008 621 510

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2017

		2017	2016
	Note	\$	\$
Revenue and other income	2	2,252,074	2,245,683
Depreciation	3	(32,233)	(35,522)
Employee benefits expense		(1,399,895)	(1,275,536)
Other expenses		(451,384)	(530,076)
Project costs		(108,861)	(166,597)
Property costs		(166,718)	(134,832)
Current year surplus before income tax		92,983	103,120
Tax expense	1(d)	-	-
Net current year surplus		92,983	103,120
Total comprehensive income for the year		92,983	103,120

The accompanying notes form part of these financial statements.

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Australian Forest Products Association Limited
 ABN:40 008 621 510

Statement of Financial Position
As At 30 June 2017

	Note	2017 \$	2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	1,383,842	1,234,577
Trade and other receivables	5	190,029	130,745
Prepayments	6	6,106	3,696
TOTAL CURRENT ASSETS		1,579,977	1,369,018
NON-CURRENT ASSETS			
Property, plant and equipment	3	1,577,186	1,609,419
TOTAL NON-CURRENT ASSETS		1,577,186	1,609,419
TOTAL ASSETS		3,157,163	2,978,437
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	203,829	148,440
Employee benefits	8	89,971	70,986
Other liabilities	9	629,869	606,993
TOTAL CURRENT LIABILITIES		923,669	826,419
NON-CURRENT LIABILITIES			
Employee benefits	8	24,942	36,449
TOTAL NON-CURRENT LIABILITIES		24,942	36,449
TOTAL LIABILITIES		948,611	862,868
NET ASSETS		2,208,552	2,115,569
EQUITY			
Asset realisation reserve		1,042,625	1,042,625
Retained earnings		1,165,927	1,072,944
TOTAL EQUITY		2,208,552	2,115,569

The accompanying notes form part of these financial statements.

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Australian Forest Products Association Limited
 ABN:40 008 821 510

Statement of Changes in Equity
For the Year Ended 30 June 2017

2017

	Retained Earnings	Asset Realisation Reserve	Total
	\$	\$	\$
Balance at 1 July 2016	1,072,944	1,042,625	2,115,569
Surplus for the year attributable to members of the entity	92,983	-	92,983
Balance at 30 June 2017	1,165,927	1,042,625	2,208,552

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

The accompanying notes form part of these financial statements.

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Australian Forest Products Association Limited
 ABN:40 008 621 510

Statement of Cash Flows
For the Year Ended 30 June 2017

	2017	2016
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	2,365,994	2,252,784
Payments to suppliers and employees	(2,220,965)	(2,261,862)
Interest received	4,236	8,312
Net cash provided by (used in) operating activities	149,265	(766)
	14	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	-	(2,393)
Net cash used by investing activities	-	(2,393)
Net increase (decrease) in cash and cash equivalents held	149,265	(3,159)
Cash and cash equivalents at beginning of year	1,234,577	1,237,736
Cash and cash equivalents at end of financial year	1,383,842	1,234,577
	4	

The accompanying notes form part of these financial statements.

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Australian Forest Products Association Limited

ABN:40 008 621 510

Notes to the Financial Statements

For the Year Ended 30 June 2017

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

These 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. The amounts presented in the financial statements have been rounded to the nearest dollar.

(b) Accounts Payable and Other Payables

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

(c) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

(d) 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*.

(e) 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 otherwise over the term of the lease whichever is shorter.

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.

Australian Forest Products Association Limited

ABN:40 008 621 510

Notes to the Financial Statements

For the Year Ended 30 June 2017

1 Summary of Significant Accounting Policies

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.

(ii) Provision for impairment of receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

(iii) Building valuation

An independent valuation of property (land and buildings) carried at fair value was obtained in 2014. The valuation is an estimation which would only be realised if the property is sold.

(f) Revenue and other income

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

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

Interest revenue

Interest is recognised using the effective interest method.

Rental income

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

(g) Goods and Services Tax (GST)

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

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

Australian Forest Products Association Limited

ABN:40 008 621 510

Notes to the Financial Statements

For the Year Ended 30 June 2017

1 Summary of Significant Accounting Policies

(g) Goods and Services Tax (GST)

Cash flows in the statement of cash flows are presented on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

(h) Property, Plant and Equipment

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

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

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

Land and buildings

Land and buildings are measured using the revaluation model.

Plant and equipment

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

Depreciation

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

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

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

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

Australian Forest Products Association Limited

ABN:40 008 621 510

Notes to the Financial Statements

For the Year Ended 30 June 2017

1 Summary of Significant Accounting Policies

(i) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is the equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting year.

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

Australian Forest Products Association Limited

ABN:40 008 621 510

Notes to the Financial Statements

For the Year Ended 30 June 2017

1 Summary of Significant Accounting Policies

(i) Financial instruments

(v) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

(j) 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.

(k) 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.

(l) 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.

Australian Forest Products Association Limited
 ABN:40 008 621 510

Notes to the Financial Statements
For the Year Ended 30 June 2017

1 Summary of Significant Accounting Policies

(l) Employee benefits

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.

(m) 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 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.

- AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

Australian Forest Products Association Limited

ABN:40 008 621 510

Notes to the Financial Statements

For the Year Ended 30 June 2017

1 Summary of Significant Accounting Policies**(m) New Accounting Standards for Application in Future Periods**

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the company's financial statements, 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 2017

2 Revenue and Other Income

	2017	2016
	\$	\$
- Rental income	100,297	97,190
- Project income	115,831	197,982
- Member subscriptions	1,975,763	1,881,570
- Other income	55,947	60,629
- Interest received	4,236	8,312
	<u>2,252,074</u>	<u>2,245,683</u>

3 Property, plant and equipment

Land & Buildings		
At independent valuation	1,655,000	1,655,000
Accumulated depreciation	(81,186)	(54,806)
Total land & buildings	<u>1,573,814</u>	<u>1,600,194</u>
Plant and equipment		
At cost	53,182	53,182
Accumulated depreciation	(53,182)	(53,182)
Total Plant and equipment	<u>-</u>	<u>-</u>
Furniture and fittings		
At cost	32,765	32,765
Accumulated depreciation	(32,401)	(32,245)
Total furniture and fittings	<u>364</u>	<u>520</u>
Office equipment		
At cost	105,934	105,934
Accumulated depreciation	(102,926)	(97,229)
Total office equipment	<u>3,008</u>	<u>8,705</u>
	<u>1,577,186</u>	<u>1,609,419</u>

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

Australian Forest Products Association Limited

ABN:40 008 621 510

Notes to the Financial Statements For the Year Ended 30 June 2017

3 Property, plant and equipment

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 2017					
Balance at the beginning of year	1,600,194	-	520	8,705	1,609,419
Depreciation expense	(26,380)	-	(156)	(5,697)	(32,233)
Balance at the end of the year	1,573,814	-	364	3,008	1,577,186
	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

Australian Forest Products Association Limited
 ABN:40 008 621 510

Notes to the Financial Statements
 For the Year Ended 30 June 2017

4 Cash and cash equivalents

	2017	2016
	\$	\$
Cash at bank	748,455	603,426
Short-term bank deposits	635,387	631,151
	<u>1,383,842</u>	<u>1,234,577</u>

Reconciliation of cash

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

	2017	2016
	\$	\$
Cash and cash equivalents	<u>1,383,842</u>	<u>1,234,577</u>

5 Trade and other receivables

	2017	2016
	\$	\$
Trade receivables	190,029	163,745
Provision for impairment	-	(33,000)
	<u>190,029</u>	<u>130,745</u>

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

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

	Gross amount	Past due but not impaired (days overdue)			
		< 30	31-60	61-90	> 90
	\$	\$	\$	\$	\$
2017					
Trade and term receivables and other debtors	<u>190,029</u>	<u>125,904</u>	<u>-</u>	<u>61,292</u>	<u>2,833</u>
Total	<u>190,029</u>	<u>125,904</u>	<u>-</u>	<u>61,292</u>	<u>2,833</u>
2016					
Trade and term receivables and other debtors	130,745	5,944	4,986	68,885	-
Total	<u>130,745</u>	<u>5,944</u>	<u>4,986</u>	<u>68,885</u>	<u>-</u>

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

Australian Forest Products Association Limited

ABN:40 008 621 510

Notes to the Financial Statements
For the Year Ended 30 June 2017

5 Trade and other receivables

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

6 Prepayments

	2017	2016
	\$	\$
Prepayments	6,106	2,061
ICFPA Conference	-	1,635
	<u>6,106</u>	<u>3,696</u>

7 Trade and other payables

	2017	2016
	\$	\$
Trade payables	38,117	3,153
Other payables	73,549	70,041
Credit cards	-	3,182
GST payable	46,550	30,698
Accrued expenses	45,613	41,366
	<u>203,829</u>	<u>148,440</u>

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

8 Employee Benefits

	2017	2016
	\$	\$
Current liabilities		
Long service leave	25,313	22,209
Provision for employee benefits	64,658	48,777
Balance at 30 June 2017	<u>89,971</u>	<u>70,986</u>
Non-current liabilities		
Long service leave	24,942	36,449
Balance at 30 June 2017	<u>24,942</u>	<u>36,449</u>

Australian Forest Products Association Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2017

9 Other liabilities

	2017	2016
	\$	\$
Plantation for Australia: The 2020 Vision Project	80,117	80,117
Forest Industry Herbicide Research Consortium	397,590	526,876
FSC Support	3,044	-
Log Haulage Code of Conduct	75,618	-
Amounts received in advance	73,500	-
	<u>629,869</u>	<u>606,993</u>

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 financial year the fund transfer did not occur. It is anticipated the transfer will occur in the first half of the next financial year.

10 Tenant Leasing Commitments

	2017	2016
	\$	\$
Minimum lease payments under non-cancelable operating leases:		
- not later than one year	52,360	52,360
- between one year and five years	49,737	49,737
	<u>102,097</u>	<u>102,097</u>

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

11 Financial Risk Management

Risk management is carried out by the Company's executive 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 executive 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 executive committee believes the Board should be aware of.

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

Australian Forest Products Association Limited

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Notes to the Financial Statements
For the Year Ended 30 June 2017

11 Financial Risk Management

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	2015
	\$	\$
Financial Assets:		
Cash and cash equivalents	<u>1,383,842</u>	<u>1,234,577</u>
Total Financial Assets	<u>1,383,842</u>	<u>1,234,577</u>

Liquidity risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages this risks through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- maintaining a reputable credit profile;
- comparing that maturity profile of financial liabilities with the realisation profile of financial assets

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day period are identified monthly.

At the reporting date, these reports indicate that the Company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down any of the financing facilities.

Australian Forest Products Association Limited
 ABN:40 008 621 510

Notes to the Financial Statements
 For the Year Ended 30 June 2017

11 Financial Risk Management

The Company's liabilities have contractual maturities which are summarised below:

	Within 1 year		Total	
	2017	2016	2017	2016
	\$	\$	\$	\$
Trade and other payables	157,279	117,742	157,279	117,742
Total	157,279	117,742	157,279	117,742

The table/s below reflect maturity analysis for financial assets.

	Within 1 Year		Total	
	2017	2016	2017	2016
	\$	\$	\$	\$
Financial assets - cash flows realisable				
Cash and cash equivalents	1,383,842	1,234,577	1,383,842	1,234,577
Trade, term and loans receivables	190,029	130,745	190,029	130,745
Total anticipated outflows	1,573,871	1,365,322	1,573,871	1,365,322

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 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 2017 the number of members was 55 (2016: 51).

Australian Forest Products Association Limited

ABN:40 008 621 510

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

13 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2017 (30 June 2016:None).

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:

	2017	2016
	\$	\$
Surplus/(deficit) for the year	92,983	103,120
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation	32,233	35,522
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	(59,286)	(50,930)
- (increase)/decrease in prepayments	(2,409)	6,374
- increase/(decrease) in income in advance	22,876	(88,220)
- increase/(decrease) in trade and other payables	39,538	6,980
- increase/(decrease) in GST creditor	15,852	(20,031)
- increase/(decrease) in employee benefits	7,478	6,419
Cashflow from operations	<u>149,265</u>	<u>(766)</u>

15 Events Occurring After the Reporting Date

The financial report was authorised for issue on 7 August 2017 by the Board of Directors.

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

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:40 008 621 610

Directors' Declaration

The directors of the entity declare that:

1. The financial statements and notes, as set out on pages 6 to 24, 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 2017 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 7 August 2017



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

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Australian Forest Products Association Limited, which comprises the statement of financial position as at 30 June 2017, 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.

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 2017 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of the auditor's report.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.





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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered as material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.





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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hardwicks

Hardwicks
Chartered Accountants

R Johnson

Robert Johnson FCA
Partner

Canberra

Date: 7 August 2017









CREDITS

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