



Forest & Wood
Products Australia
Knowledge for a sustainable Australia

ANNUAL REPORT 09/10

Forest & Wood Products Australia Limited (FWPA) is an industry services company providing a national, integrated strategy to increase demand for forest and wood products and reduce the impediments to their supply. FWPA is committed to helping the forest and wood products industry to be collaborative, innovative, sustainable and competitive.

VISION

To be the industry's leading source of knowledge, and the principal investor in innovation and promotion.

MISSION

To provide services to the industry, and to increase its sustainability and international competitiveness. These services include direct and collaborative investment in:

- Research and development to provide innovative solutions for the industry, and
- Promotion of the industry's products, services and values.

COVER

dovetail

To combine or interlock into a unified whole.

A joint technique most commonly used in woodworking joinery. Formed by one or more tenons on one piece that interlock with corresponding mortises in another. Noted for its resistance to being pulled apart. Once glued, a wooden dovetail joint requires no mechanical fasteners.

Some of the earliest known examples of the dovetail joint are in furniture entombed with mummies dating from First Dynasty of ancient Egypt, as well the tombs of Chinese emperors. The dovetail design is an important method of distinguishing various periods of furniture.

STRATEGIES



STRATEGY ONE: INDUSTRY PROMOTION

Promote the benefits and usage of forests and wood products, in accord with changing community attitudes, environmental awareness, and market trends.



STRATEGY TWO: RESEARCH AND DEVELOPMENT

Invest in and coordinate R&D to improve the industry's competitiveness, inform of its climate change response, enhance investment, increase usage, and ensure the sustainability of forests, wood products and services.



STRATEGY THREE: CAPACITY ADOPTION AND PROMOTION

Expand the industry's capacity and capability – in knowledge generation and adoption, and promotion – to facilitate growth.



STRATEGY FOUR: PROVIDING INDUSTRY SERVICES

Increase FWPA's capacity and scope to provide services for the industry's benefit.

Timber used

Left top-bottom:

Southern Sassafras (*Atherosperma moschatum*)

Western Red Cedar (*Thuja plicata*)

American Oak (*Quercus alba*)

Merbau (*Intsia bijuga*)

Victorian Ash/Tasmanian Oak (*Eucalyptus delegatensis*)

Blackwood (*Acacia melanoxylon*)

Right:

Jarrah (*Eucalyptus marginata*)

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2009/10 HIGHLIGHTS

Providing industry with knowledge and innovation

27 projects were initiated, 45 continued and 33 completed.

An independent R&D Program Evaluation Report calculated that typical FWPA R&D projects returned a benefit cost ratio (BCR) of between 2.5 and 15. Key projects included:

- New generation, high-performance wood products coated or encapsulated in zero-waste powder coating.
- Glulam design based on lamination grades and the use of mill shorts.
- An audit of forest biosecurity arrangements and preparedness in Australia.
- The Forest Productivity Optimisation System – A decision support tool for enhancing the management of planted forests in southern Australia under changing climate.
- NIR assessment of resin quality for composite panel production.
- Forest industry cooperative pesticide research, chemical registration, industry and community education and chemical use and application regulation advice consortium.
- Carbon storage in paper and composite wood products in landfills.
- Identification of successful designs featuring timber trusses that passed the tests outlined by the Australian Standard for Building in Bushfire Prone Areas to the highest rating, BAL-FZ.

National Research, Development and Extension Strategy (RD&E)

The forest and wood products national RD&E strategy was endorsed by the Primary Industries Ministerial Council in April 2010. This strategy was developed over the preceding 12 months and involved a wide range of stakeholders across the sector. One of the key recommendations of the strategy is the establishment of a new forum of R&D investors, providers and users to help establish investment priorities and improve coordination across the sector.

Consumer Advertising

A new look advertising campaign was launched in March 2010 for the Wood. Naturally Better.™ program. The new advertisements sell a more personal message – that you can tackle climate change because wood stores carbon for life. The imagery includes people living and working with wood.



▲ World Conference on Timber Engineering (left to right) Michael Boughton, Alan Turner, Alastair Macleod, Sean Jamieson, Will Owens, Michael Kipreou, Hamidul Islam and Zhinous Zabihi.

Scholarships and Prizes

FWPA supports the development of industry skills through a variety of scholarships and prizes. In 2009/10 FWPA awarded the following:

- Fully funded place in the Australian Rural Leadership Foundation's (ARLF) Trailblazers 2010 program for Steve Walker – Manager, South West Fibre.
- Eight travel scholarships for Australian engineering students to attend the 11th World Conference on Timber Engineering (WCTE) in Italy.
- FWPA Postgraduate Top-up Scholarship awarded to Matthew Larcombe who is undertaking post graduate study in managing gene flow from *Eucalyptus globulus* plantations at the University of Tasmania.
- World Forestry Institute Fellowship awarded to Susan Baker who is undertaking a project on Variable Retention Silviculture.
- FWPA sponsored DAFF Science and Innovation Award for Young People in Agriculture, Fisheries and Forestry awarded to Dr Lyndall Bull.

Providing Industry Services

In 2009 FWPA appointed Neil Evan as Codes and Standards Manager to oversee industry coordination of building codes and standards. Since his appointment Mr Evans has carried out extensive industry consultation to create a strategy for FWPA's codes and standards coordination and established a Standards Reference Group.

New brand for building specifiers

WoodSolutions™ is the new information brand for building specifiers to address the need for accessible, credible information about using wood. FWPA has already released five WoodSolutions design and construction guides and created a one-day forum – WoodSolutions 2010 for architects and engineers.

Wood. Naturally Better Sponsorships

Sponsorships are an effective way to support the messages of the Wood. Naturally Better program. In the 2009/10 financial year key sponsorships included:

- Planet Ark
- Sustainable House Day
- Master Builders Australia Awards
- National Carpenters Day
- Housing Industry Australia Awards
- Timber Design Awards
- WorldSkills 2010
- Timber Design Magazine
- MBA Homeshow
- Archicentre

Supporting Technology Transfer

FWPA supports R&D technology transfer in a number of ways, including sponsorship of key industry events where R&D projects and outcomes are discussed. This year key events sponsored included:

- Frame Australia – the principal national conference for the structural timber and pre-fabrication industries, presenting a range of topics around the theme ‘Sustainable housing construction’.
- Institute of Foresters of Australia Conference – focused on the role of forestry in a changing climate.
- Forest Industry Engineering Association (FIEA) Gold Sponsor – host a number of events annually.
- IUFRO Division 4.0 Conference – The International Union of Forest Research Organisations local chapter conference.
- Australasian Plant Pathology Society Seminar 2009 – The theme was plant health management.

Industry Education Investment Plan

Drawing from the outcomes of the FWPA commissioned Review of Australian, Forestry and Wood Products Education and Training Needs, the Board endorsed the Education Investment Plan with implementation scheduled for the 2010/11 financial year.

Rural R&D Priorities

- Productivity and Adding Value **21%**
- Supply Chain and Markets **21%**
- Natural Resource Management **7%**
- Climate Variability and Climate Change **21%**
- Biosecurity **6%**
- Supporting Innovation Skills **12%**
- Supporting Technology **12%**



National Research Priorities

- An Environmentally Sustainable Australia **15%**
- Promoting and Maintaining Good Health **18%**
- Frontier Technologies for Building and Transforming Australian Industries **52%**
- Safeguarding Australia **15%**



CHAIRMAN'S REPORT



CHAIRMAN
Mr Ron Adams

For someone not involved in the industry, the Australian forest and wood products sector can appear somewhat bewildering and complex. This complexity is in part driven by the fact that it is not one industry, but rather an interlocking set of industries that are at times complementary but can also be highly competitive.

As the industry services company, FWPA must rise above this intra-sector competitiveness and develop programs that deliver outcomes for the benefit of company members and levy payers. It must also consider the needs of its single largest funder, the Australian Government, and ensure that FWPA activities deliver benefits to the broader Australian community.

The outcomes desired by industry and the Australian Government are not mutually exclusive. For example, the industry wants to increase the use of sustainably sourced wood products in the built environment. The Australian Government wants to reduce our carbon footprint and the increased use of sustainably sourced wood products can help achieve this outcome.

Likewise, the Australian Government would like to increase the productivity and international competitiveness of rural industries. Australia's forest growing and wood processing industries also seek this outcome.

In November 2009, the rural research and development corporations celebrated the 20-year anniversary of the Act of Parliament that was the genesis of the sector – the Primary Industries and Energy Research and Development (PIERD) Act.

In our modern society, 20 years is a long time for many institutional arrangements. Quite appropriately, the Australian Government considered it timely to undertake a comprehensive review of the rural research and development corporations (RDC) sector to determine whether the current arrangements are still relevant and whether there are opportunities for improvement.

This review by the Productivity Commission is still under way. FWPA has welcomed the review and is working proactively with the Commission to ensure that it has a full understanding of how the RDC model works in the forest and wood products sector.

While all RDCs have their own unique features, FWPA is the only RDC that is funded from the full supply chain (including imports but excluding pulp and paper) and thus ensures that its activities are truly pre-competitive and for the benefit of the whole sector.

FWPA (and its predecessor) have invested in R&D and capacity building along the full value chain, from forest growing, processing and market access. The direction of this investment is assisted by the four R&D advisory groups, each focused on a particular segment of the value chain.

Over the past 12 months, FWPA has expanded its activities in two key areas to meet the needs of its stakeholders. In the area of building codes and timber standards, FWPA has established a new industry service to ensure that there is a coordinated response to this critical area. This service has not previously existed within the sector and Standards Australia has acknowledged that this proactive step sets a new benchmark in the Australian standards arena.

The second new strategic initiative is in the area of education. FWPA has always undertaken key investments in education activities such as postgraduate scholarships, market development and mid-career awards. However, like all RDCs, FWPA received a request from Federal Minister Tony Burke to become more actively involved in promoting primary industries as a career opportunity and encouraging diversity within the sector. Following a strategic review of existing education activities in the sector, the FWPA Board endorsed a comprehensive investment plan to respond to the identified gaps and the Minister's priorities.

As always, I would like to thank my fellow Directors for their diligence, well-considered contribution and their ongoing belief that FWPA can make a difference. Over the last 12 months, two Directors have retired (Ms Kathryn Adams and Mr Peter Zed) and two new Directors (Mr Evan Rolley and Mr Mark Grey) were endorsed by the director selection process and voted in by the Members.

FWPA is an organisation that is committed to continuous improvement and recognised best practice. To this end, the FWPA Board underwent an independent review and training process in corporate governance. The revisions to the Company Constitution, which was approved by Members at the October annual general meeting, is also part of this process of continuous improvement.

There is no doubt the Australian forest and wood products sector is undergoing considerable change and will continue to do so. This is particularly so in the area of research, development and extension (RD&E). Over the past 12 months, FWPA played a key role in coordinating the development of a national RD&E strategy for the sector. This strategy was endorsed by the Primary Industries Ministerial Council in April 2010.

The completion of the strategy represents the beginning rather than the end of the process. In the strategy development process, it was clear that many of the institutions that served the forest and wood products sector well over the last 20-30 years are changing in response to their own strategic imperatives. Therefore, new structures and arrangements will need to be created.

Of course, change is inevitable. FWPA is a relatively new organisation and it was created to be the industry's service company. In this role, it will respond to changing needs of its members, levy payers and other key stakeholders – which critically include the Australian Government. With clear thinking and proactive action, change can only be viewed as an opportunity rather than a challenge.

I would like to take this opportunity to thank all my fellow Directors for their commitment and contribution, and especially acknowledge the service of those who will be retiring during the year. Also, I would like to thank Ric Sinclair for his leadership and the staff for their enthusiasm for continuing to expand the services that FWPA offers to the industry. I would also like to acknowledge the commitment of all participants in our industry advisory groups, both past and present, who help ensure that our investments are closely tied to industry outcomes.



CHAIRMAN
Mr Ron Adams

MANAGING DIRECTOR'S REPORT



MANAGING DIRECTOR
Mr Ric Sinclair

As FWPA approaches its third anniversary as a private company, it is appropriate to reflect upon the positive changes within the organisation and key milestones that have been delivered.

One of the key reasons that FWPA was formed was to undertake a generic promotion of the sector and its products – a role the predecessor organisation (Forest and Wood Products Research and Development Corporation (FWPRDC)) was unable to fulfil as it was a statutory authority of the Australian Government.

The generic promotion program was launched in October 2008 with a print advertising campaign based upon the main message that the use of wood products can be a 'helping hand' in addressing climate change because of their low embodied energy and stored carbon.

Since then, the program has evolved to include updated print advertisements, internet advertising, and several key sponsorships (e.g. national carpenters day and sustainable house day). A partner program has also been developed to ensure that organisations within the sector can engage and leverage the generic promotion activities.

In November 2009, the Board approved a specifier marketing plan to address the key impediments of building specifiers (e.g. architects, engineers and building designers) with a focus on education, inspiration and information. Two important building blocks for this plan that will be delivered in late 2010 are the WoodSolutions forums and the new knowledge database.

The development of the generic promotion program was a new activity for the organisation which required the recruitment of staff and contractors and the development of new systems.

The core function of R&D investment was well established in the predecessor organisation and it easily migrated into the new operating environment. The new membership-based corporate structure has assisted the organisation to forge strong links to its levy payers, thus helping ensure that R&D investments are better aligned to stakeholder needs.

The process of R&D investment has become increasingly strategic with the adoption of 13 investment priorities and the development of investment plans for each priority. Each investment plan is based on a sound understanding of the science, underlying business issues and wide consultation across the sector. Two investment plans have been endorsed by the Board and others are under development.

Prior to the adoption of investment plans, the key focus of the R&D program was on individual projects. Increasingly, projects and their findings are now a part of a broader framework that has clear linkages to delivering benefits to our stakeholders.

Another area of activity that has successfully migrated from the predecessor organisation relates to technical transfer of R&D findings (tech transfer) and support and development of capacity within the sector (education). Together, these activities fall under Strategy 3 of the Company's 5-year plan under the banner of Capacity, Adoption and Promotion.

Although Strategy 3 is a smaller area of investment, it is critical to the future of the Company and to the broader stakeholders. In simple terms, without an effective mechanism for tech transfer, there is a real risk that R&D findings will languish on a shelf or website. This equally undermines the worth of the R&D investor and R&D provider, and does not result in a measurable outcome for any stakeholders.

The value of FWPA research was calculated in an R&D Program Evaluation Report completed in June 2010. This independent report, commissioned following the protocol developed by the Council of Rural Research and Development Corporations Chairs (CRRDCC) not only confirmed the complexity of evaluating returns on investment, but also showed that typical FWPA R&D projects returned a benefit cost ratio (BCR) of between 2.5 and 15, depending on the project category. This excellent return demonstrates FWPA's commitment and ability to deliver effective and measurable outcomes to our industry.

At the risk of stating a cliché, education is the future of the sector. FWPA and its predecessor have invested in targeted education programs aimed at postgraduate students, mid-career development and curriculum support for influential end users such as carpenters, architects and engineers.

In December 2009, FWPA commissioned an independent review of current education activities within the forest and wood products sector with the aim of identifying gaps and potential areas of focus for the Company.

The timing was fortuitous. Like all other rural research and development corporations (RDCs), FWPA received a request from Federal Minister Tony Burke to become more actively involved in promoting primary industries as a career opportunity and encouraging diversity within the sector. In June 2010, the FWPA Board endorsed a comprehensive education investment plan that included eight programs of activity.

FWPA is focused along the full supply chain from growing, processing, and market development. As a consequence, FWPA's approach to education is highly complex and addresses the intertwined issues of information transfer and vocation. In developing the investment plan, it was clear that FWPA had insufficient resources to solve all problems. Instead, a targeted approach was adopted that was consistent with the core competencies of the organisation.

Another new area of activity embraced by the Company is in the area of building codes and standards. In 2007, FWPRDC commissioned a review of the issues and changing dynamics of building codes and standards, which are a critical facet in market access and development for the sector. This review highlighted some concerning trends and recommended that FWPA take a more prominent role in this arena.

After an exhaustive process of consultation, the FWPA Board endorsed a new industry services strategy that positions the organisation as the key coordinator of building codes and standards for the sector. This strategy is based upon a process of prioritisation, improved

communication within the sector and the use of multiple development pathways where appropriate. Also, in a similar vein to R&D investments, the strategy recognised that adoption and promotion of the standards is critical to ensure their success.

Despite the increased workload and complex operating environment, FWPA remains a relatively small organisation with a total of nine staff. Two-thirds of the staff have been with the organisation (and its predecessor) for some time while others have joined as operations have expanded. I would like to take this opportunity to thank all staff for their dedication and commitment to continuous improvement of the organisation and its processes.

In three short years, FWPA has added new programs, improved management systems and ensured strong corporate governance. While these are important milestones, they are simply building blocks to help the organisation deliver tangible benefits to all its principal stakeholders – levy payers and the Australian Government.



MANAGING DIRECTOR

Mr Ric Sinclair

BOARD OF DIRECTORS



The Board

The constitution of Forest & Wood Products Australia allows between five and nine Directors, including the Managing Director, who is appointed by the Board. At least two of the Board's non-executive Directors must also be Independent Directors (not holding positions within any FWPA member companies). During the reporting period the Board comprised 10 Directors, including the Managing Director and two outgoing Directors. The Board welcomed two new Directors elected at the last Annual General Meeting: Mr Evan Rolley and Mr Mark Grey.

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr Ron Adams (1)

Managing Director of Wespine Industries Pty Ltd, Mr Adams is also President of Forest Industries Federation of WA and a Trustee of J.W. Gottstein Memorial Trust. He was formerly a Director of National Association of Forest Industries (NAFI), member of WA Minister for Forestry's Timber Plantation Advisory Group and The Australian Plantation Products and Paper Industry Council (A3P). He holds an associateship in Mechanical Engineering, is a graduate of the Harvard Business School International Advanced Management Programme and a Foundation Fellow of the Australian Institute of Company Directors.

Board responsibilities: Member of the R&D Investment Committee and Chair of the Market Knowledge and Development Advisory Group.



DEPUTY CHAIRMAN NON-EXECUTIVE DIRECTOR

Mr Nick Roberts (2)

Mr Roberts is CEO of Forests NSW. Previously, he has worked as Managing Director of Weyerhaeuser in both New Zealand and Australia, held senior roles in sales, marketing and operations with Fletcher Challenge in pulp and paper and forestry businesses, was president of the New Zealand Forest Owners' Association, Director of Forest Research, and inaugural Chair of A3P. He holds a Master of Science in Wood Science.

Board responsibilities: Chair of the Promotion, Services and Communication Committee.

NON-EXECUTIVE DIRECTOR

Mr Vince Erasmus (3)

Mr Erasmus is the Managing Director of one of Australia's largest hardwood plantation forestry managers, Elders Forestry Limited (formally ITC Limited). An experienced industry participant, Vince has extensive skills and expertise in the management of both softwood and hardwood operations internationally as well as broad experience in the solid wood-processing environment. He is also a Director of Forest Stewardship Council (FSC) Australia, National Association of Forest Industries (NAFI) and World Forestry Center in Portland, Oregon.

Board responsibilities: Chair of the R&D Investment Committee, Chair of the Solid Wood Processing Advisory Group

NON-EXECUTIVE DIRECTOR (INDEPENDENT)

Mr Mark Grey (4)

Mr Grey is the Chief Executive, Queensland Eye Hospital and a non Executive Director of CPA Australia and the Independent Ophthalmic Network.



Mr Grey has degrees in Asian Studies, Marketing and Corporate Governance. He is a Certified Practising Marketer, a Chartered Secretary, a Fellow of the Australian Marketing Institute, Fellow of the Australian Institute of Company Directors, and a Fellow of the Australian Institute of Management.

Board Responsibilities: Member of the Audit and Finance Committee, Member of the Promotion, Services and Communication Committee.

NON-EXECUTIVE DIRECTOR (INDEPENDENT)

Dr Sadanandan Nambiar (5)

Dr Sadanandan Nambiar is an Honorary Fellow in CSIRO. He was formerly a Chief Research Scientist and Science Director in CSIRO Forestry and Forest Products. He is recognised for major contributions to sustainable management of forests in Australia. He has also led major international efforts for advancing sustainable management of forests in tropical countries. Currently he also provides scientific advice to CRC for Forestry.

Board responsibilities: Member of the R&D Investment Committee, Chair of the Sustainability and Resources Advisory Group.

NON-EXECUTIVE DIRECTOR

Mr Evan Rolley (6)

Mr Rolley was previously the Chief Commissioner for Forests, then Managing Director of Forestry Tasmania and was more recently Secretary of Premier and Cabinet in Tasmania. He is currently a Director of Tasports and operates a successful farming business, Huon Valley Vineyards. He holds qualifications in forestry and economics.

Board responsibilities: Member of the Audit and Finance Committee, Member of the R&D Investment Committee, Chair of the Engineered Wood Products Advisory Group.

NON-EXECUTIVE DIRECTOR

Mr Jim Snelson (7)

Mr Snelson is an experienced business leader and CEO of Carter Holt Harvey Wood Products Australia, with significant interests in solid wood and panel products. He brings extensive strategic business restructuring and market-development skills gained over more than 20 years. He is a Director of Highland Pine Products Pty Ltd and A3P. He is a member of the Forest and Forest Products Ministerial Advisory Council.

Board responsibilities: Chair of the Audit and Finance Committee, Member of the Promotion, Services and Communication Committee.

MANAGING DIRECTOR

Mr Ric Sinclair (8)

Before joining FWPA, Mr Sinclair spent seven years in the grocery and food industry where he worked in operations, corporate finance and strategy roles. Mr Sinclair has held operations, marketing and strategy roles at Origin Energy, KH Foods, Chiquita Brands and Amcor/PaperlinX. He holds a Bachelor of Science (Forestry) and a Master of Business Administration. Mr Sinclair was appointed to the role of Managing Director on 2 June 2008.

Board responsibilities: Member of the R&D Investment Committee, the Promotion, Services & Communication Committee and invited guest to the Audit and Finance Committee.

OUR STAFF

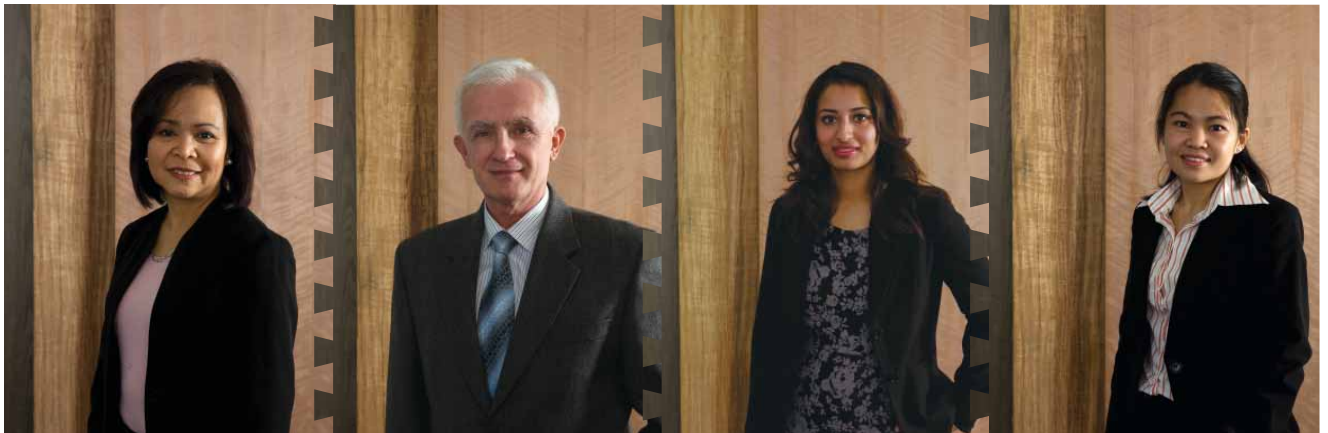


R&D MANAGER
Chris Lafferty

**MARKETING AND
COMMUNICATIONS
MANAGER**
Sarah Gyopar

BUSINESS MANAGER
Jason See

**CODES AND STANDARDS
MANAGER**
Neil Evans



**PROGRAM
ADMINISTRATOR**
Lorraine Reyes

R&D OFFICER
Jugo Ilic

**MARKETING
COORDINATOR**
Amarjot Kaur

FINANCE OFFICER
Kelly Goh

OUR MEMBERS

A E Girle & Sons
 Allied Timber Products Pty Ltd
 Alpine MDF Industries Pty Ltd
 Associated Kiln Driers Pty Ltd T/As A.K.D. Softwoods
 Auswest Timbers Pty Ltd
 Bayswood Timber Wholesalers Pty Ltd
 Big River Timbers Pty Ltd
 Birnam Forests Pty Ltd
 Blueleaf Corporation Pty Ltd
 T/As Whittakers Timber Products
 Boral Timber Division
 Britton Bros Pty Ltd
 Bunbury Treefarm Project
 Carter Holt Harvey Wood Products Australia
 Department of Environment & Resource Management
 (DERM)
 Dindas Australia Pty Ltd
 Dindi Sawmill
 Elders Forestry Limited
 Environmental Forest Farms Management Ltd
 FEA Group of Companies
 (Under external administration)
 Fenning Investments Pty Ltd
 Forest Products Commission (WA)
 Forest Strategy Pty Ltd
 Forestry Commission of NSW T/As Forests NSW
 Forestry Plantations Queensland Pty Ltd
 Forestry SA
 Forestry Tasmania
 George Fethers & Co. Trading Pty Ltd
 Green Triangle Forest Products
 GTP Alexandra Pty Ltd (GUNNS Timber Products)
 Gunnersens Pty Ltd
 Gunns Forest Products Pty Ltd
 Gunns Ltd
 Hancock Victorian Plantations Pty Ltd
 Highland Pine Products Pty Ltd
 Hurford Sawmilling Pty Ltd
 Hyne Timber
 J Notaras & Sons Pty Ltd
 Jarrah Select Pty Ltd
 Jelfor Treated Timbers Pty Ltd
 Jetstar Enterprises Pty Ltd T/As Permapole
 Koppers Wood Products Pty Ltd
 Machin's Sawmill Pty Ltd
 McCormack Demby Timber Pty Ltd
 Midway Limited
 N K Collins Industries Pty Ltd
 Penrose Pine Products Pty Ltd
 Pentarch Forest Products Pty Ltd
 Pinetec Ltd (Under external administration)
 Radial Timber Australia
 Ryan & McNulty Pty Ltd
 Sarawood (Aust)
 SFM Environmental Solutions
 Simmonds Lumber Pty Ltd
 South East Fibre Exports Pty Ltd
 Stora Enso Timber Australia Pty Ltd
 Swan Le Messurier Pty Ltd
 Tasman KB Pty Ltd
 The Australian Sawmilling Company Pty Ltd (TASCO)
 The Laminex Group
 Tilling Timber Pty Ltd
 Timbercorp Forestry Pty Ltd
 (In Liquidation – No longer trading)
 Timberlands Pacific Pty Ltd
 VicForests
 WA Chip & Pulp Co Pty Ltd
 Weathertex Pty Ltd
 Wespine Industries Pty Ltd
 Willmott Forests Ltd
 Wilton Logging Pty Ltd
 Wright Forest Products Pty Ltd

STRATEGIC FRAMEWORK

The past 12 months saw FWPA maintain a focus on delivering cost-effective outcomes by progressing and expanding existing activities and introducing initiatives that are consistent with the 5-year Strategic Plan.

The 2008-12 Strategic Plan

The 5-year Strategic Plan is the culmination of extensive work to develop the forest and wood products industry's vision on integrating its vital research and promotion agenda.

The Strategic Plan has been developed in consultation with both the industry and government. Its development and structure are designed to provide guidance to FWPA's Board to enable it to fulfil its responsibilities to the industry.

The Plan has been framed and prepared to comply with the requirements of the 5-year Statutory Funding Agreement with the Australian Government, which commenced on 3 September 2007.

The Plan contains seven drivers that FWPA has identified as having the most influence on the future success of the industry.

Seven drivers of success

1 Community trust

Australia's changing demographics are creating a knowledge gap between the industry and sections of the community. Increasing urbanisation and changing values in response to lifestyle and economic swings are affecting many people's attitudes to forestry.

Commercial forestry will continue to require access to both forested and non-forested land and resources, so it is essential to engender community trust in the role of the industry and recognition of the importance of forests and wood products.

2 Product usage

The Australian forests and wood products industry must respond to a continually evolving mix of factors that determine market preference for materials and their applications. These factors range from regulatory requirements and affordability to fashion, performance and quality.

Consumer demand for forest and wood products will remain strong provided the industry stays aware of, and reacts appropriately to, these trends.



3 Climate change

Climate change will have profound implications and create opportunities for Australia's forests and wood products industry. Every facet of forestry, transport, manufacturing, marketing and end-use application will be affected by climate change itself and associated policies and regulations.

Climate change encompasses key issues including water, carbon sequestration and storage, energy and fuel sources, bushfire and biosecurity.

4 Competitiveness

Our industry is competing in an increasingly broad and diverse marketplace, due to factors which include: reducing trade barriers, asset consolidation, terms of trade, competition for resources and new products and materials.

Within this business environment, the forest and wood products industry must continue to deliver value for money for its customers by developing new markets, products and services.

5 Sustainability

Society increasingly demands that goods and services are provided from demonstrably environmentally sustainable sources. The industry needs to continually demonstrate its sustainable management of ecological assets and processes, water, chemicals and energy, and the protection of forests from fire and other hazards.

6 Investment

In the forests and wood products industry, traditional models of funding, including a significant government role, will not deliver all investment required to grow resource development, manufacturing and infrastructure.

To competitively supply the expanding markets for its products the industry must attract and secure new sources and means of funding.

7 Industry capability





For an industry to be successful, it must be able to overcome capability constraints in the context of an increasingly mobile workforce, competition for quality personnel, and evolving expectations of a modern workplace.

The forests and wood products industry needs to further develop a culture of innovation, including knowledge generation and adoption, skill development, continuous improvement, and international best practice.

Four action strategies

Understanding the drivers of success and their roles in FWPA achieving the industry's objectives led to the development of four strategies which encompass the company's actions.

FWPA % expenditure by strategy (2009/2010)

-  Industry Promotion **32%**
-  Research & Development **56%**
-  Capacity, Adoption & Promotion **9%**
-  Industry Services **3%**



STRATEGY ONE: INDUSTRY PROMOTION

Promote the benefits and usage of forests and wood products, in accord with changing community attitudes, environmental awareness, and market trends.

The 5-year Strategic Plan identifies the following three priority themes for this strategy:

- 1 Promote benefits of forests and wood products, with emphasis on carbon storage, low embodied energy, renewability, reuse and demonstration of the sustainability of the forest resource.
- 2 Promote forests and wood products/applications over alternatives, and new applications and services to meet emerging markets.
- 3 Engage with regulators, standards bodies, opinion leaders and specifiers to maximise wood products' specification and utilisation.

This strategy involves generic promotion of the industry, its products and benefits to consumers, specifiers (professionals who specify the use of timber in design and construction), the building industry and trade partners.

Using consumer research to inform communication decision making is an essential part of understanding the audiences and developing these communications.

Key activities include:

- Wood. Naturally Better.™
- The Wood. Naturally Better.™ partner program.
- WoodSolutions Specifier Information program.
- Sponsorships and other partnerships.
- Ongoing qualitative and quantitative research.

STRATEGY TWO: RESEARCH AND DEVELOPMENT

Invest in and coordinate R&D to improve the industry's competitiveness, inform of its climate change response, enhance investment, increase usage, and ensure the sustainability of forests, wood products and services.

FWPA's R&D investment activities are guided by seven priority themes:

- 1 Evaluate market trends nationally and internationally to enable industry to develop business and industry development strategies.
- 2 Maintain and expand markets for wood products and the new products and services required to meet these markets.
- 3 Develop knowledge and technology to improve existing production and utilisation processes.
- 4 Characterise the properties and variability of wood resources and maximise value recovery.
- 5 Enable genetic improvement and the management of biotic or abiotic risk factors.
- 6 Develop systems and technologies to optimise water productivity and efficiency.
- 7 Evaluate strategies for forest management under climate change and maximise greenhouse advantages of forest products.

Thirteen investment priorities were identified and endorsed by the Board in 2009. These priorities have been developed to reflect the interests of Members across the value change. To ensure that there is a clear linkage between R&D investments and desired industry outcomes, each investment priority will be supported by an investment plan that is approved by the Board.

The investment priorities are:

- 1 Information, analysis and interpretation of domestic and export markets.
- 2 Timber construction in residential buildings.
- 3 Timber construction in commercial and industrial buildings.
- 4 Appearance timber products and markets.
- 5 Wood products in sustainable buildings.
- 6 Development of secondary products and markets for them.
- 7 Solid wood, engineered wood and pulp and paper: performance and yield.
- 8 Maximising product yields and values from current resources.
- 9 Improving wood quality and yield, and tools for forest management.
- 10 Genetic improvement and delivery for increased wood yield, quality and for managing risks.
- 11 Water-use efficiency, access to resources and balanced policy outcomes.
- 12 Forest biosecurity and preparedness.
- 13 Mitigation of, and adaption to, climate change and the management of the carbon cycle in plantations and native forests.

Investment plans have been approved by the Board for priorities (5) and (10). Work is underway on investment plans for priorities (1), (4), (11) and (13).

See page 28 for more details on these priorities.

STRATEGY THREE: CAPACITY ADOPTION AND PROMOTION

Expand the industry's capacity and capability – in knowledge generation and adoption, and promotion – to facilitate growth.

Outcomes from this strategy are delivered through investment in activities including workshops, seminars, field trips, industry presentations by key researchers, scholarships, fellowships and research training and other professional skills development activities.

The following priority themes for this strategy were identified in the 5-year Strategic Plan:

- Disseminate R&D outputs and maximise and accelerate knowledge adoption and technology uptake.
- Assist industry to access knowledge and technologies developed elsewhere.
- Enable industry's continuous improvement & adoption of best practice.
- Selectively develop educational initiatives to lift people's interest in, and skills for, the industry, its networks and research providers.

Known as capability, adoption and promotion (CAP), this strategy has key activities including:

- The development of a comprehensive education investment plan that was endorsed by the Board in June 2010.
- The awarding of a postgraduate scholarship and prizes to expand the capacity of the sector.
- Sponsorship of mid-career programs and prizes.
- Encouraging the understanding and uptake of R&D findings through sponsorships, publications and other forms of dissemination.

STRATEGY FOUR: PROVIDING INDUSTRY SERVICES

Increase FWPA's capacity and scope to provide services for the industry's benefit.

The 5-year Strategic Plan identifies two priority themes for this Strategy:

- 1 Grow FWPA's role in industry services provision through the creation of new revenue streams.
- 2 Improve the value of FWPA's outputs, increasing stakeholders' use of its services.

In July 2009, the Board adopted a building codes and standards strategy following an extensive process of consultation with key stakeholders. The strategy has four key areas of activity: analysis and prioritisation of standards; improved communication across the sector; development of standards through multiple pathways; and adoption of standards.

To help deliver this strategy, a new manager has been appointed who is being supported by the Standards Reference Group (SRG) with members drawn from Company Members and organisations within the sector.

COLLABORATION, COORDINATION AND COMMUNICATION

FWPA is one of 15 rural research and development corporations and industry services companies (RDCs) that represent a unique partnership between the Australian Government and the rural industries. Levies for FWPA R&D investments are collected on a range of primary products and matched on a one-to-one basis by the Australian Government under the provisions of the Forestry Marketing and Research and Development Services Act 2007. The provision of matching funding to privatised industry services companies such as FWPA is enabled under statutory funding agreements entered into between the individual companies and the Australian Government.

Aligning with Government priorities

The Australian Government is a major contributor to FWPA programs through matching R&D funding. The 5-year Strategic Plan aligns the company's investment priorities with the Australian Government's national and rural research priorities, which include:

- Enhancing the sustainability and efficiency of production systems.
- Improving competitiveness through a whole of industry approach.
- Maintaining and extending markets for wood products.
- Responding to climate change and creating an innovative culture.

In February 2010, the Minister for Agriculture, Fisheries and Forestry, the Hon. Tony Burke MP wrote to each of the rural research and development corporations (RDCs) to describe the rural industry research priorities and associated community outcomes of significance to the Australian Government.

These priorities and associated community and industry outcomes are:

- **Productivity improvement** — to generate new knowledge, which will lead to improved technology that will be adopted by producers to increase productivity.
- **Climate change** — to reduce greenhouse gas emissions and improve soil management, and assist producers to adapt and change farming practices whilst boosting productivity.
- **Sustainable environmental resource management** — to build and share our knowledge to ensure our soils, water and vegetation are managed properly and invasive pests are controlled.
- **Maintaining and improving international market access opportunities** — through work to combat pests and diseases that can potentially be obstructive to trade and to guide production decisions in accordance with the requirements of consumers.
- **Value chain effectiveness and efficiency** — investment in research and development must extend beyond the farm gate to ensure the whole value chain is able to operate at optimum levels.
- **Biosecurity** — to maintain our research capability to prevent and deal with disease outbreaks, particularly as such biosecurity threats are expected to become more prevalent with climate change.
- **Workforce, skills, education** — the RDCs should be taking a strong role in educating future scientists, improving the knowledge and skills of producers and encouraging people to work in the sector.
- **Diversity** — the RDCs should take on a greater role in building strong leadership capacity in the sector and encourage a diversity of people in primary industries, including a greater role for Indigenous Australians, women and young people
- **Collaboration** — the National Primary Industries Research, Development and Extension Framework has progressed well to date, but it is important to maintain the momentum. RDCs support is needed in 2010, to finalise the sector plans, develop the cross-sectoral plans and work through implementation
- **Evaluation** — RDCs should support the current joint RDC evaluation process to demonstrate returns on investment and guide future investment decisions.

Joint activities with other Research and Development Corporations and Industry Services Companies

As identified by Minister Burke, collaboration is a key success factor for rural research, development and extension. This collaboration occurs in the forest and wood products sector with Member organisations, government agencies, and research providers. On a cross sector basis, FWPA seeks to work collaboratively with other RDCs where there is a clear common interest. Some of our cross-RDC collaborative projects are shown below:

Evaluation of ethyl formate and nitrogen for disinfestation of eucalyptus weevil on export apples

FWPA provided funding to support a project initiated by Horticulture Australia Limited (HAL).

The benefit of this work will be to minimise the impact of eucalyptus weevils on apple exports from the southwest of Western Australia.

Support Rural Industries R&D Corporation (RIRDC) research

FWPA had provided investments in rural research by jointly funding with RIRDC for a project supported under DAFF's Forest Industries Climate Change Research Fund: 'Commercial opportunities for biofuels and electricity from existing and potential forestry in the near term' – being carried out by Industry & Investment NSW.

The benefits from the project are expected to enable the development of biomass equation models, quantification of nutrient removal impact and to determine greenhouse gas implications.

Another project being carried out by Industry & Investment NSW, funded through FWPA, RIRDC and DAFF's Forest Industries Climate Change Research Fund is research into quantifying breakdown rates for paper and engineered wood products.

The benefit from the project includes better informed end of life recyclability.

National Climate Change Research Strategy for Primary Industries (CCRSPI)

CCRSPI involves Australia's primary industries working together on climate change including the primary industries State agencies, the Rural Research and Development Corporations (including FWPA), the Australian Government Department of Agriculture, Fisheries and Forestry and the CSIRO.

SUPPLIER PROFILE

Keith Mackie

CEO Solid Wood Innovation

Keith Mackie has been CEO of Wood Quality Initiative (WQI) and its successor Solid Wood Initiative (SWI) since its inception in 2003. His background has been in forest products research and research management over a 30-year period at Forest Research Institute (Rotorua, NZ).

A joint initiative between FWPA, NZ Foundation for Research Science and Technology, NZ processors, NZ growers and a major North American forestry company, SWI will build on the results of the highly successful WQI program.

Through a program of research, development and commercialisation, the overall aims of SWI are to generate further profitability for the industry by developing sawmill processes that deliver better-performing structural timber to customers while also reducing energy, kiln emissions and water use.

To achieve these aims, SWI has three strategic research objectives:

- Identify more efficient ways of manufacturing better performing structural products.
- Produce better performing appearance grade products.
- Significantly reduce kiln emissions, energy and water consumption in timber drying.

FWPA's involvement with SWI gives members who are sawlog levy payers access to new research and intellectual property that not only relates to solid wood activities, but to all work previously completed under the Wood Quality Initiative.

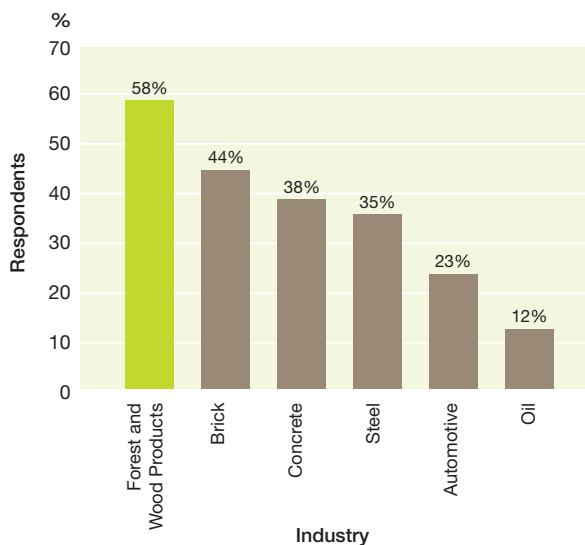
STRATEGY ONE: INDUSTRY PROMOTION

Communications for a growing industry

This strategy aims to promote the benefits and usage of forests and wood products. Specifically, the goals are to generate a positive attitude to the use of wood products and to have wood products used more widely in both decorative and structural applications. This will be achieved by promoting the positive benefits of wood and addressing any real or perceived impediments to the usage of wood.

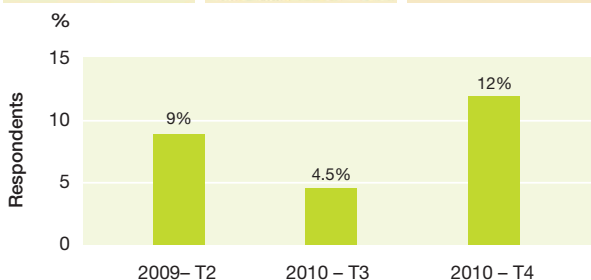
A secondary objective is to create opportunities for the industry to promote itself and present a confident image to its key audiences. Many organisations and people are unaware of the many advantages of wood and its potential to provide a greater contribution to a sustainable, productive national economy. Market research indicates that the forest and wood products industry is viewed as a credible source of this information – more so than many other industry sectors.

▼ Reliable source of information about the environment



▼ Prompted recall of advertising

Please indicate if you have ever previously seen these advertisements. *Tracker 4 – Market attitudes towards using wood – July 2010*



Activities within the promotional program frequently incorporate the results of FWPA funded R&D projects and technology transfer activities, especially in the new specifier information program. This congruence of activities demonstrates the value of an integrated strategic plan and lateral communications.

Engaging with stakeholders and audiences

The form and content of effective communications must be based on reliable information. Understanding community attitudes to assist FWPA decision making and program development is an ongoing process, both formally through market research and informally, through discussions with allied and partner organisations.

Similarly, engagement with regulators, standards bodies, opinion leaders and specifiers is essential to ensure that FWPA communication activities are addressing the needs of the target audience.

Building awareness with new communications to wider target audiences

Now approaching the end of its second full year, the Wood. Naturally Better.™ consumer program continues to focus on the benefits of using wood products. The primary message remains that wood stores carbon, so using more wood products can help tackle climate change.

Many years of research, often funded by FWPA (and its predecessor) have demonstrated that there are major barriers to increased use of wood by building specifiers such as architects, engineers, building designers, developers and builders. In November 2009, the FWPA Board approved a new specifiers marketing plan that is designed to address these barriers. Many of these activities will be implemented under the new brand of WoodSolutions. This new program has been designed to complement Wood. Naturally Better.™ by providing information and motivation to use wood and wood products in design and construction.

In a simplified sense, Wood. Naturally Better.™ communicates the benefits of wood as a material – the WHY to use wood. WoodSolutions™ then follows with the next step, information about using wood – the HOW to use wood.

The roles of the two communication streams and their respective channels are shown on the right.



WHY use wood

Benefits

- environmental
 - carbon storage
 - low embodied carbon
 - renewable
 - recyclable
 - LCA
 - R rating
- aesthetic
- economic
 - cost
 - rural and regional economies
- performance
 - engineered products
 - treatments
- Certification
 - AFCS
 - FSC

Channels

- paid media
 - print/press
 - online
- www
 - naturallybetter.com.au
- public relations
- ambassadors
- Program Partners



HOW to use wood

Benefits

Information

- general technical data
- proprietary technical data
- applications
- BCA information
- case studies
- endorsements

Channels

- www
 - woodsolutions.com.au
 - linked supplier sites
- publications
 - manuals
 - bulletins
- events
 - WoodSolutions 2010
- public relations

The Wood. Naturally Better.™ Program

The first stage of Wood. Naturally Better.™ consumer print advertising was created to reinforce the perception that wood was beautiful, fashionable and even aspirational. It also introduced the fact that (because it stores carbon) wood helps tackle climate change – market research showed that this was unknown by more than 60% of Australian adults.

In March 2010 the campaign evolved to build upon on the established base with new print advertising and a range of other communication and resource initiatives aimed at both consumer and specifier markets.

New fresh look print advertising

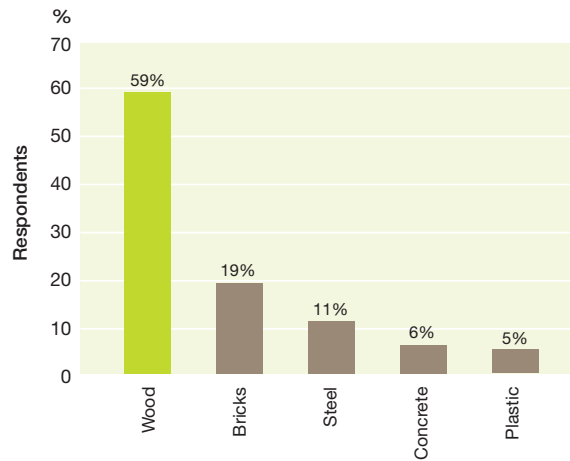
New print ads have been designed to refresh the imagery and incorporate information gained during the latest research. The new “You can tackle...” campaign has three versions. Each focuses on a specific area in which wood is used: construction (framing), interior (floor and furniture) and exterior (cladding and landscaping).

Media placement in weekend magazines, homemaker magazines and online commenced in March 2010 and ran through to May 2010. Print advertising was complemented by a series of online banners and, for the first time, keyword advertisements.

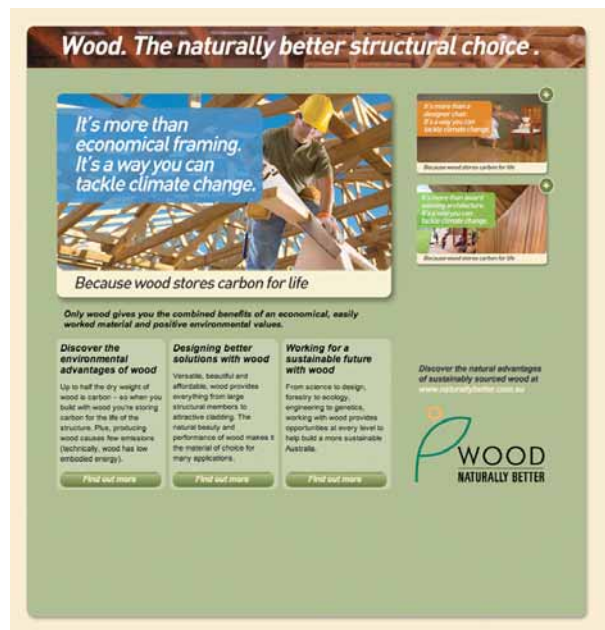
In terms of total reach to all people over the age of 18, the magazine and press activity reached 11,599,000 Australians (Source: Roy Morgan Asteroid data).

Between 1 January and 30 June, the online advertising delivered 1,307,513 impressions, 1919 clicks and 466,675 unique views.

▼ Association with term ‘environmentally friendly’



▼ Landing page for online advertising



Because wood stores carbon for life

Did you know that approximately half the dry weight of wood is carbon - and that forestry is one of the most greenhouse-friendly sectors of the Australian economy? In fact, forestry was the only industry sector to be carbon positive in 2005. So using more sustainably sourced wood in construction will help Australia offset our overall greenhouse gas emissions.¹

The International Panel on Climate Change agrees: "In the long term, a sustainable forest management strategy aimed at maintaining or increasing forest carbon stocks, while producing an annual sustained yield of timber, fibre or energy from the forest, will generate the largest sustained mitigation benefit."²

So when you choose wood you're also helping tackle climate change. You can discover more at www.naturallybetter.com.au

¹Australia's State of the Forests Report 2008
²Neubauer, G.J. et al. 2007. Forestry in Climate Change 2007: Mitigation. Contribution of Working Group III to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change (Ed. Albritton, D.R., Davidson, P.R., Booth, R., Dow, L.A., Meyer, Jelle, Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA)



▲ The construction advertisement from the new campaign

Design for a smaller carbon footprint. Touch wood.

Up to 50% of the dry weight of wood is carbon, but that's only half the story.

Beautiful, natural and renewable, wood not only enhances our living environment, but its stored carbon and low embodied energy help reduce the carbon footprint of built structures.

Add the exciting new design possibilities of engineered and laminated timbers, and you'll discover why sustainably sourced, affordable wood is the naturally better material choice.



Tactical specifier advertising

During 2009, a tactical print advertisement was launched to target a range of specifiers (architects, building designers and engineers). This ad builds on the concept of carbon footprint, a term that is increasingly used in the specifier market.

The ad (above) shows footprints, with a straightforward environmental proposition.

WoodSolutions. Innovative. Informative. Inspiring.

Research has identified the lack of readily accessible, credible information as a major impediment to architects, designers and other specifiers using wood-based products.

Key points identified included:

- The wood products industry is highly fragmented with no single, easily accessed source of information.
- The natural variation of wood as a material leads to a common attitude that wood is a high-risk building material for new applications.
- Durability and maintenance issues in exterior environments create high information needs.

In short, specifiers often say that it's too hard to get enough information about wood to use it with confidence.

WoodSolutions has been created to address this need.

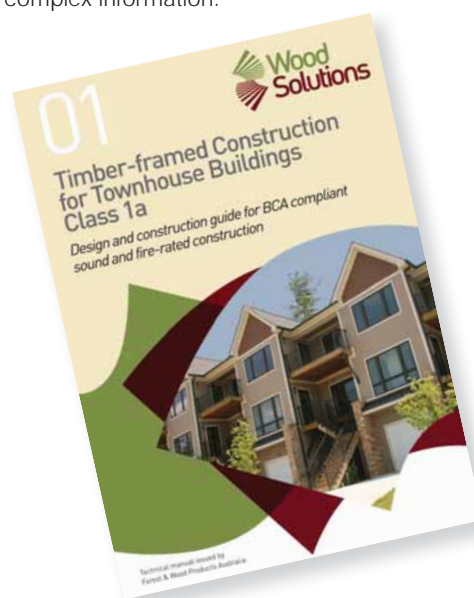
www.woodsolutions.com.au

This is an online industry database which aims to aggregate wood and timber product information from industry bodies, manufacturers and suppliers and make it easily available to specifiers (architects, designers and engineers) and other relevant markets over time (developers, builders, tradespeople, etc).

This is a huge undertaking, potentially running to hundreds of thousands of pages of data. The scoping and development process is well advanced and the first stage of the site is due to launch in late 2010.

Initially, it will be populated with data from existing sources. However, as the project grows we will be inviting industry bodies, companies and organisations to contribute content and provide links from the relevant sections to their own online information.

This is an exciting development for our industry and has the potential to be a world first and a leading example of how the internet can aggregate and disseminate complex information.





WoodSolutions 2010 Forum

Local experience has shown the demand for knowledge. In 2009, as part of sponsoring the Australian Timber Design Awards, FWPA brought UK architect Andrew Waugh to Australia. Andrew designed the world's tallest modern wooden residential building – a nine-storey apartment block in London. He was in great demand as a speaker and generated interest in this building technology, which may hopefully lead to a locally constructed example.

Internationally, comparable programs to Wood. Naturally Better.™ such as the North American Wood-Works have incorporated events targeted at the specifier markets.

This is what will be achieved with WoodSolutions 2010. A one-day seminar aimed at architects, building designers and engineers, to be held in Brisbane, Sydney and Melbourne in September 2010.

The comprehensive program includes local and international speakers and attendance qualifies architects, engineers and building designers for continuing professional development (CPD) points.

Delivering a more powerful message through partnerships

Engaging with Professionals Partnership: Australian Institute of Architects (AIA)

During the year a range of activities were undertaken with various divisions of the Australian Institute of Architects. These continuing activities are building a relationship with the practitioners and their peak associations.

Built Environment Meets Parliament (BEMP)

BEMP is the premier annual conversation between parliamentarians and industry leaders that showcases the relationship between Australian communities and their built environment. This was an opportunity to showcase the Wood. Naturally Better.™ brand to an influential audience.

The event featured:

- Full day summit at Parliament House
- More than 290 attendees
- 28 presenters and facilitators
- Three Australian Federal Government Minister keynote speeches

Sponsorship of the Archicentre Best Renovation Design Award

Through the Wood. Naturally Better.™ program FWPA sponsored two design award categories, Renovation and New Home.

Archicentre renovation seminars

Wood. Naturally Better.™ both sponsored this program and provided a keynote speaker who gave a presentation on the attributes of renovating with wood. There were a total of 30 evening seminars spread across NSW, Vic, SA, Qld and WA, attended by hundreds of people interested in renovating their homes.

Involving industry through Wood. Naturally Better.™ partner program and sponsorships

One of the opportunities of an program such as Wood. Naturally Better.™ is to maximise its value to the industry and its visibility to consumers and other target markets. Investing in growing the awareness of the Wood. Naturally Better.™ brand creates a recognisable logo that will remind potential purchasers of all the advantages of wood.

Licensing businesses and organisations in the industry to use the logo is helping increase awareness and make Wood. Naturally Better.™ a more valuable asset to promote the use of wood and timber products.

The Wood. Naturally Better.™ Partner Program is free to businesses and organisations operating in the forest and wood industry and licenses them to use the logo in their branding and communications.

To date, more than 600 companies and industry-related organisations have joined the program.

Sponsorships

Carefully chosen sponsorships can be a cost-effective way of generating awareness and media coverage.

During the past year Wood. Naturally Better.™ sponsored and participated in a select range of events and activities, including:

- National Carpenters Day
- Andrew Waugh's visit
- Australian Timber Design Awards
- 2010 HIA Awards
- Sustainable House Day
- designEX (Sydney)
- MBA Home and Ideas Show (Melbourne)

National Carpenters Day

Target: carpenters, builders and industry

Created to celebrate the role of carpenters in building Australia, increase awareness of the benefits of wood and to help carpenters become ambassadors for wood as a material, National Carpenters Day was held on 16 April 2010.

The second National Carpenters Day featured a series of free BBQs held at timber merchants, builders, TAFEs and similar premises, Australia-wide. The National Carpenter of the Year Award and the winner of the Apprentice Carpenter Competition were also be announced on the day.

National Carpenters Day results included:

- 105 BBQ hosts – program partners, TAFE/apprentice organisations, building companies.
- More than 5,000 carpenters and apprentices attended.
- Companies in the wood industry sponsored and contributed prizes.
- 104 PR pieces generated with a potential reach of more than one million people.



▲ Tye Turner, National Carpenter of the Year (and Tasmanian winner), is congratulated by Ric Sinclair.



▲ National Carpenters Day Ambassador, Tom Williams, at Hudsons Building Supplies event.



Sponsorship: Andrew Waugh's visit

Target: architects, engineers, building designers, builders and developers

Andrew Waugh, then partner of the London firm, Waugh Thistleton, had achieved international acclaim by designing the world's tallest modern multi-storey timber building – a nine-storey apartment complex in London.

Sponsoring Andrew's visit to Australia to speak at the Australian Timber Design Award events and become involved in associated activities was an unparalleled success. This generated enquiries for information relating to multi-storey residential and commercial buildings from a range of significant businesses.

Through created events and arranged media interviews, Andrew Waugh featured in 23 separate articles in coverage that had an estimated media value of more than \$200,000.

Sponsorship: Australian Timber Design Awards

Target: architects, building designers, engineers

In their tenth year, the Australian Timber Design Awards are the premier recognition of timber design in Australia and provide a platform for engaging with architects, engineers and building designers.

These awards saw some 100 entries in 17 categories and continued to promote the use of timbers as a functional, attractive, cost-effective and environmentally rewarding building material.

For the first time they were structured as regional presentations with four events: SA & WA, Vic & Tas, NSW & ACT and Qld & NT. The Award winners and finalists were featured in a full colour magazine.

Sponsorship: Sustainable House Day

Target: consumers

From relatively small beginnings, Sustainable House Day has grown to become a Government-supported initiative involving more than 183 houses Australia-wide and attracting more than 30,000 visitors and extensive media exposure.

Wood. Naturally Better.™ sponsorship resulted in people visiting the houses receiving information on the environmental benefits of wood and electronic and broadcast media exposure.



SUSTAINABLEHOUSEDAY

Sponsorship: 2010 HIA Housing Awards

Target: builders, specifiers

Wood. Naturally Better.™ sponsored the HIA Apartment Project of the Year at this well-attended national event. The category was chosen to help raise awareness of the potential for using wood in multi-residential structures.

WorldSkills Australia National Competition

Target: tradespeople, builders

Wood. Naturally Better.™ was a sponsor of the WorldSkills Australia National competition in which 497 competitors from all around Australia tested themselves in 50 key skills and technologies.



▲ Promoting the benefits of wood to specifiers at designEX 2010.

Participation: designEX

Target: architects, building designers, consumers

An annual event, alternating between Sydney and Melbourne, designEX is aimed at a broad range of design professional and engaged consumers. Architects and interior architects are among the primary audiences for this show.



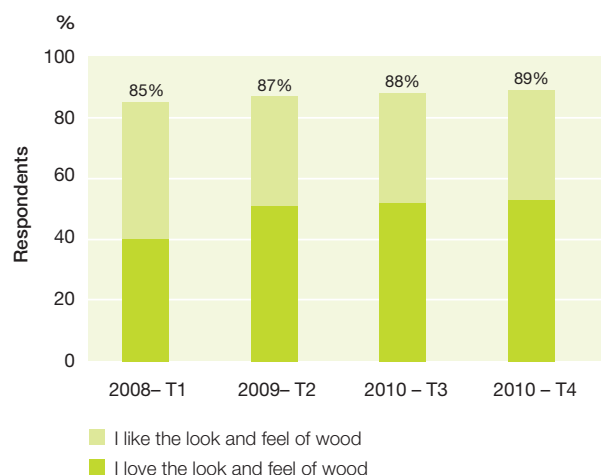
Understanding our audiences and markets

Understanding the market by using research is a fundamental part of ensuring that communications are effective and as relevant to our audience as possible. Broad research identifies issues in which people are interested, their changing attitudes and propensity to make purchase decisions.

In addition, tracking research provides feedback on advertising campaigns and the ads themselves. Tracking research also shows that over the span of the campaign, people's attitudes to wood and using wood has become more positive.

▼ Feelings about wood.

Source: Mobium Research 2010



STRATEGY TWO: RESEARCH AND DEVELOPMENT

The projects and supporting processes that form FWPA's research and development program reflect the corporate vision to be the industry's leading source of knowledge and investor in innovation and promotion and the mission to increase the industry's sustainability and international competitiveness.

During the past year FWPA has commissioned, continued and finalised some 78 research projects.

Over the last 12 months, FWPA also played a key role in coordinating the development of a national research, development and extension (RD&E) strategy for the forest and wood products sector. This strategy was endorsed by the Primary Industries Ministerial Council in April 2010.

The process of developing the Research, Development and Extension (RD&E) strategy for the forest and wood products sector under the National Primary Industries RD&E Framework provided an opportunity to gain greater recognition for the challenges facing RD&E capability in the sector and to develop a nationally coordinated approach for industry to address investment levels, sustain and develop research capability, improve information sharing and ensure cost-effective and efficient RD&E.

This important activity is the beginning of a continuing whole-of-industry process which will work to ensure that the industry has the capacity, resources and information to effectively invest in RD&E to meet the future needs of the forest and wood products sector and the Australian public.

The implementation of this framework will be a major focus over coming years and FWPA is committed to being a supportive and collaborative player in this process.

Delivering benefits to stakeholders

FWPA's R&D investments are made on the basis that they respond to industry and government needs to deliver evident benefits to stakeholders (FWPA members, levy payers and the Australian government).

Typical benefits include:

- Contributing to the development or improvement of new products matched to market needs.
- Increasing the industry's profitability and efficient use of inputs throughout the value chain.
- Improving the industry's investment confidence by identification and management of risk.
- Increasing the industry's economic, social and environmental sustainability measures.

Showing excellent returns from R&D

In June 2010 an R&D Program Evaluation Report was delivered by independent consultants, URS Australia. Six projects from each of FWPA's major investment categories (growing, processing and marketing) were randomly selected. These were then shortlisted to three projects, which represented high, low and average cost projects, all of which commenced after April 2002 and which were completed and delivered before July 2009.

Benefit cost analysis (BCA) was used to evaluate the return from each project and calculate a Benefit Cost Ratio (BCR). The results were then aggregated and extrapolated to show the R&D returns in each major investment category. The BCR ranged from 14.8 in the growing category, though 5.4 in processing to 2.4 for marketing. These figures show the value of R&D investment outcomes to the industry and stakeholders.

Evaluation: Category level aggregation

Category	Number	Total value invested (\$000)	Value of sample projects (\$000)	Sample projects as % of total	Weighted average BCR	Estimated benefits from total investment (\$000)
Growing	33	\$16,694	\$2,626	16%	14.8	\$247,894
Processing	58	\$35,150	\$3,004	9%	5.4	\$189,550
Marketing	47	\$18,924	\$594	3%	2.4	\$45,061

Note that all BCRs are evaluated over 50 years, using a 5% discount rate. Values are reported in 2009 dollars.

R&D planning and investment priorities

The R&D planning process has been developed to ensure that, in total, its portfolio of R&D projects respond to the needs of industry and deliver results that are applicable and of benefit to the broadest range of stakeholders along the value chain.

FWPA uses a rigorous three-step planning methodology to identify R&D investments, both individual projects or program areas.

The three steps are:

- FWPA R&D Investment priorities
- Ranking & Resource allocation
- Portfolio management and stakeholder engagement.

FWPA Industry Advisory Groups and R&D Investment Priorities

In order to fulfil its objectives of creating value and opportunity for its levy payers and members, FWPA is supported by a series of industry advisory groups (AGs). The AGs are formed to provide specific advice and feedback on industry R&D needs and the development of suitable R&D strategies to guide FWPA project-funding decisions.

FWPA has 13 R&D investment priorities across the industry value chain that will constitute the primary R&D focus of its project investments. Each of the investment priorities will be driven by a detailed investment plan, developed in close consultation with stakeholders (industry, government and research community) with clear links to desired outcomes and performance measures. Each of the investment plans is approved by the FWPA Board and establishes the operating framework and timetable for the industry advisory groups.

Other significant R&D issues (external to the agreed investment priorities) identified by FWPA members and stakeholders will continue to be considered on an individual case-by-case basis. It is anticipated that all projects funded by exception will include substantial industry endorsement and commitment of in-kind resources to the proposed project.

The implementation of investment priorities and plans are subject to regular review and validation, the results of which are linked to the periodic and ongoing refinement of the Company's 5-year Strategic Plan and operational strategies.

The Board has established three levels of project-funding approval depending on the proposed project budget and timeframe: the managing director; the Board R&D sub-committee, or the full Board. This combination, guided by the advisory groups, enables appropriate and efficient investment approval. All projects approved under the various delegations are reported to the full Board at its next meeting.

Ranking & Resource allocation

The allocation of funding resources to the R&D program is an annual Board decision taken in consideration of currently contracted project commitments and the level of forecast activity informed by the advisory groups and endorsed investment plans. FWPA seeks to attract third-party cash-funding contributions to the majority of its project investments. This provides additional leverage of levy resources as well as signalling the degree of stakeholder commitment and support for particular project outcomes.

When considering endorsement of active research proposals, FWPA is guided by the alignment to endorsed investment plans, level of funding requested and skills, capacity and prior performance of research team, industry support and commitment via in-kind and cash co-contributions, and the strength and structure of the industry and stakeholder communication plan associated with the project outcomes.

Portfolio management and stakeholder engagement

Once project approval has been secured, funding is provided to the researchers under the terms of a standard research agreement executed between FWPA and the principal research provider. All project payments are made upon the attainment of agreed project milestones and activities as endorsed by a project steering committee comprising FWPA, key researchers and independent industry representatives, traditionally members of FWPA advisory groups. The engagement of independent representatives on the steering committees helps to ensure close contact between the research providers and the proposed users of beneficiaries of the project results. This ensures that final outcomes are delivered in the form most conducive to stakeholder use and adoption and also acts to keep the industry aware of and engaged in the range of research activities being undertaken within the FWPA project portfolio.

13 investment priorities

The interests and needs of FWPA stakeholders are reflected in 13 investment priorities. Needs outside those covered by the 13 priorities are considered on a case-by-case basis.

The priorities list illustrates the connection between industry segments as they are categorised according to their position in the value chain, from the market through processing back to the resource.

1 Information, analysis and interpretation of domestic and export markets

With this knowledge the industry can supply products that anticipate and satisfy the needs of various markets. Activities include competitive analysis and detecting, evaluating and monitoring trends and business and consumer purchasing behaviour.

2 Timber construction in residential buildings

R&D investments in this area assess the residential design and construction market needs and ensure the industry is aware of, and responds to, changes in building codes and regulations. It also helps building professionals work more efficiently with timber, and industry and the supply chain respond to issues as they arise.

3 Timber construction in commercial and industrial buildings

Despite the strength of the Australian market and the quality of Australian timber products, and contrary to the emerging international trend, there has been limited use of wood as a construction material in buildings higher than three storeys. The investment in research in this area is leading to the knowledge, technology and products to develop this untapped market.

4 Appearance timber products and markets

Reliable information on the supply and demand for products such as furniture and flooring will ensure the industry can anticipate and meet future requirements. Research into maintenance and performance, the appearance of woods and methods of installation is helping the industry to build on the increasing awareness of the environmental advantages of wood.

5 Wood products in sustainable buildings

Carbon footprints, thermal values and environmental considerations are playing a greater role in building codes and policies – and creating opportunities for wood. This topic has been the subject of the initial FWPA investment plan for wood as a sustainable building material.

6 Development of secondary products and markets for them

Improving and increasing the use of the whole tree through developing value-added secondary products will minimise waste and maximise the return from each tree harvested. R&D investments in this area are identifying and analysing secondary products and their markets.

7 Solid wood, engineered wood and pulp and paper products: Performance and yield

Recognising and responding to market needs enables the forest and wood products industry to optimise systems and maximise production of appropriate products.

This supports the industry's aim to create a better product by optimising production systems for energy use, drying, cutting, grading and sorting of wood. Developing quality control systems will create a more consistent product, particularly for structural applications.

8 Maximising product yields and values from current resources

Increasing the yield of commercial products from each tree will increase profitability. Research into the characteristics, properties and variability of wood resources and identifying the most commercially viable applications and products realises maximum value and reduces unnecessary processing.

9 Improving wood quality and yield, and tools for forest management

Forest managers need to optimise their forest management systems to make logs that processors value. Increasing the efficiency of inputs such as fertiliser and pesticides adds value to the industry. Improved management of forests – spacing, pruning and species choice – leads to better products and increased volume. Breeding and management can increase yield and thus the financial return to growers.



10 Genetic improvement and delivery for increased wood yield and quality and for managing risks

Planting is the first opportunity to control the quality and volume of commercial timber. This investment priority focuses on genetic-based tree breeding which can significantly reduce the time it takes to improve a strain. Better selection techniques such as cross-breeding, screening, breeding programs for desirable traits and to improve fitness in the environment have lowered the time required to improve a planting.

11 Water use efficiency, access to resources and balanced policy outcomes

Increased awareness of climate trends and projections are resulting in industry requiring more information about water. Ensuring that water policy is informed by science maximises the volume of wood produced by a given volume of water. Data on how the industry sources and uses water for silviculture will generate value throughout the chain and increase awareness of environmental impacts. It will also identify opportunities for efficiencies in site selection and silviculture.

12 Forest biosecurity and preparedness

In a global environment, forest resources face increased risk from imported pests and diseases. This can be reduced by an awareness of the immediate environment and its own risks, and the available controls including biological controls. Developing risk profiles of pests and forest diseases will lead to informed risk management strategies. Developing responses to prioritised risks will ensure the best outcome for industry and the environment.

13 Mitigation of and adaptation to climate change and the management of the carbon cycle in plantation and native forests

Assessing the impact of climate change on plantation productivity will increase understanding of the non-commercial values of carbon in plantation and native forests, and help industry make its long-term planning decisions. Measuring the carbon in forests and increasing the understanding of the carbon cycle can help industry adapt to, and plan for, the forecast climate changes. Combining the data with economic modelling, and using it to generate maps of the effects of climate on growing conditions for established forests, will give the industry information it needs to prepare for and manage any change.

The role of Industry Advisory Groups

The needs of industry are the key drivers of FWPA's R&D priorities and projects. To ensure that these needs are recognised and evaluated, four Industry Advisory Groups (IAG) meet throughout the year to provide FWPA with advice on investment priorities and discussion and feedback on research proposals.

The four groups, which are structured to cover the whole value chain, are:

- Market Access and Development Advisory Group
- Solid Wood Products Processing Advisory Group
- Engineered Wood Products Advisory Group
- Sustainability and Resources Advisory Group

Details of Advisory Group memberships are provided below.

Advisory Group survey results implementation

The last Annual Report contained a summary of the results of an opinion survey taken among a range of current and past AG members. The survey indicated that the participants saw the structure as working well, although there was room for improvement.

As a result of the research the following changes are being implemented:

- Advisory group meeting agendas and presentations have been restructured to align with the subsequent FWPA processes. All investments are grouped under investment priorities and proposals assessed against investment plan criteria where available. Increased focus on quantification of industry impact and benefit through the adoption of research outcomes.
- Greater ownership of longer term R&D programs given the AGs via development and endorsement of investment plans. Shift focus from short term crises to longer term program strategies.
- Call for expressions of interest for additional industry members to allow for a consistent process of renewal and refreshing of membership lists in response to changes in industry and individual circumstances. This also acts to increase the spread of engagement between FWPA and its members, and importantly to engage the key technology managers within industry to participate in the R&D priority setting process.
- Consideration of the use of independent Advisory Group Chairs.



Advisory Group Members

Engineered Wood Products Advisory Group

Mr Evan Rolley (Chair)
FWPA Director

Mr Ric Sinclair
Forest & Wood Products
Australia

Dr Chris Lafferty
Forest & Wood Products
Australia

Mr Alan Halligan
Independent

Mr Ian McDonald
Australian Wood Panels

Mr Peter Robinson
Boral Timber Division

Mr Simon Dorries
Engineered Wood Products
Association of Australasia

Mr John Muller
Glued Laminated Timber
Association of Australia
(GLTAA)

Mr Wolfgang Stahl
The Laminex Group

Mr Craig Kay
Tilling Timber Pty Ltd

Mr Peter Law
Wesbeam Pty Ltd

Market Access and Development Advisory Group

Mr Ron Adams (Chair)
Wespine Industries Pty Ltd

Mr Ric Sinclair
Forest & Wood Products
Australia

Dr Chris Lafferty
Forest & Wood Products
Australia

Mr Peter Juniper
A3P – Australian Plantation
Products & Paper
Industry Council

Mr Gerry Gardiner
Asian Pacific Timber
Marketing Pty Ltd

Ms Christine Briggs
Auspine Pty Ltd

Mr John Simon
Hudson Building Supplies

Mr David Marlay
Hyne Timber

Mr Matthew Wood
Stora Enso Timber Australia
Pty Ltd

Mr Robert Cairns
Tasman KB Pty Ltd

Mr Andrew Dunn
Timber Development
Association (NSW) (TDA)

Prof. Ian Ferguson
University of Melbourne
Department of Forest &
Ecosystem Science

Mr Gary Kiddle
Wespine Industries Pty Ltd

Dr Alastair Woodard
Wood Products Victoria Ltd

Ms Lorraine Reyes
(Secretariat)
Forest & Wood
Products Australia

Sustainability and Resources Advisory Group

Dr Sadanandan Nambiar
(Chair)
CSIRO Sustainable
Ecosystems

Mr Ric Sinclair
Forest & Wood Products
Australia

Dr Chris Lafferty
Forest & Wood Products
Australia

Dr Marie Connett
Elders Forestry Limited

Mr Tony Cannon
FEA Group of Companies
(Under receivership)

Dr Ross Dickson
Forestry Commission of
NSW T/As Forests NSW

Mr Ian Last
Forestry Plantations
Queensland Pty Ltd

Dr Jim O'Hehir
Forestry SA

Mr John Hickey
Forestry Tasmania

Mr Ian Ravenwood
Gunns Ltd

Mr Stephen Elms
Hancock Victorian
Plantations Pty Ltd (HVP)

Dr Jugo Ilic (Secretariat)
Forest & Wood
Products Australia

Solid Wood Products Processing Advisory Group

Mr Vince Erasmus (Chair)
Elders Forestry Limited

Mr Ric Sinclair
Forest & Wood Products
Australia

Dr Chris Lafferty
Forest & Wood Products
Australia

Mr Andy McNaught
Boral

Mr Peter Robson
Boral

Mr Kim Harris
Carter Holt Harvey
Woodproducts Australia

Mr Vince Hurley
GTP Heyfield Pty Ltd

Mr Max Evans
Gunns Ltd

Dr Trevor Innes
Gunns Ltd

Mr Stephen Holtorf
Hyne Timber

Mr Damien Simpson
The Australian Sawmilling
Company Pty Ltd (TASCO)

Mr Richard Schaffner
Wespine Industries Pty Ltd

Dr Jugo Ilic (Secretariat)
Forest & Wood
Products Australia

RESEARCH HIGHLIGHTS 2009/10

Establishing a pilot-scale facility to use new methods of processing small diameter logs from emerging hardwood plantations

Providing industry with information to enable smaller diameter logs to be processed and used in manufacturing high-value products will significantly improve the economic returns for hardwood plantations.

This project is developing methods of processing smaller diameter, lower value logs to turn them into strong, high-value engineered timber products such as plywood formwork. The research is investigating all aspects of the production process; from optimising log pre-treatment, to peeling, drying and gluing, and is developing hardwood and hybrid hardwood/softwood products that meet, or exceed the performance of current softwood-based panels and engineered wood products.

The project outcomes will identify and develop the most appropriate technologies for engineered wood product production from a range of appropriate sub-tropical plantation hardwoods. As an added benefit, the research will also encourage the establishment of more plantations better suited to commercial products.

PRB145-0809 High Value Timber Composite Panels from Hardwood Plantation Thinnings

- ▼ Veneer composites are a typical high-value product from plantation hardwoods.



Investigating 'green' adhesive options in the wood panel industry

Providing industry with information about alternative adhesives will enable it to anticipate and meet market needs as they arise.

Green adhesives are those that contain a significant amount of a renewable or a natural resource. Over the past decade researchers have been looking for alternatives to the formaldehyde-based adhesives used in the wood panel industry. There are cost, health and environmental reasons to search for green adhesives.

The green adhesives that are closest to commercial uptake are the Dynea AsWood technology (protein based) and the Ashland/Hercules Soyad system (soy protein based). Generally these are more expensive than existing adhesives but they have a niche market where there are controls on formaldehyde emissions.

It is recommended that the Australian wood panels industry monitor the development of these technologies as they are still being introduced on an industrial scale. It is likely that the Australian and New Zealand marketplace will follow North America in changing from existing adhesives to green adhesives within the next five to ten years.

PNB158-0910 'Green adhesives': Options for the Australian industry – summary of recent research into green adhesives from renewable materials and identification of those that are closest to commercial uptake

- ▼ Green adhesives obtained from renewable materials will replace conventional ones in products such as flake-board.





Developing tools to increase the productivity and returns from private forests

Increasing the forest management skills of private forest growers will make them more profitable and productive and secure an increased material supply for industry.

Private landholders frequently combine grazing with the irregular harvesting of their Spotted Gum (*Corymbia citriodora* subsp. *variegata*, *C. citriodora* subsp. *citriodora* and *C. henryi*) dominant forests. In southern Queensland and northern NSW this forestry is an important part of the hardwood timber industry. However, productivity is often well below what could be achieved. To assist managers improve forest productivity and financial returns the project has developed:

- A set of Spotted Gum specific silvicultural guidelines for timber production on private land that cover both silvicultural treatment and harvesting.

- The Spotted Gum Productivity Assessment Tool (SPAT), a simple decision-support computer program that allows an estimation of:
 - 1 Tree growth productivity on specific sites.
 - 2 Pasture development and expected livestock carrying capacity under a range of tree stockings.
 - 3 Above-ground tree biomass and carbon stored in trees.
- A series of experiments in Spotted Gum forests on private lands to quantify growth and provide measures of the effect of different agro-forestry regimes.

The outcomes of this project will enable private native forest growers to maximise site productivity and stabilise recurring farm income streams through the production of higher-value native hardwoods for supply to the current processing sector.

PNC075-0708 Tree growth relationships and silvicultural tools to assist stand management in private native Spotted Gum dominant forests in Queensland and northern New South Wales.

Developing new technology to increase the accuracy and reduce the cost of forest inventories

Providing industry with new methods of updating forest inventories has the potential to reduce their current costs by up to 90%.

Updating forest inventories of *P. radiata* plantations can be very expensive, with traditional methods costing from \$25 to \$40 per hectare. However LiDAR (Airborne Laser Scanner) data combined with multi-wavelength digital imagery is predicted to produce accurate estimates of tree height, stem density, basal area, forest volume and biomass at a cost of around \$2 to \$4 per hectare.

This project assessed the effectiveness of LiDAR and digital imagery technology in NSW radiata plantations, and compared them with current ground-based sampling methods. The final report will provide industry specific guidelines and recommendations on how data should be analysed and interpreted by plantation managers through the modification of existing forest management systems, as well as which LiDAR, camera and software technologies are most suitable for local conditions.

PNC058-0809 Adoption of new airborne technologies for improving efficiencies and accuracy of estimating standing volume and yield modelling in *Pinus radiata* plantations.

Assessing the properties of young plantation hardwood sapwood and its marketability

Providing industry with information on effectively using new resources enables companies to adapt their business and processing models to maximise productivity and profitability.

To meet market demand and maintain productivity and profitability, the hardwood processing industry must change to using increasing proportions of plantation resources. For this move to be successful, more needs to be known about the properties of young, fast grown hardwood, particularly as recovery losses by removing sapwood become significant as log diameter decreases. This study assessed the physical properties and appearance of both the sapwood and heartwood of nine species from plantation and young regrowth regimes, and compared results with data on native forests. Results showed the mechanical properties of sapwood (other than bending) to be at least equivalent to heartwood, while machinability, stain uptake and finish quality of floor and veneered panels were of a high quality. An estimated additional \$33 to \$113 per m³ of processed log could be earned if sapwood was retained for use in solid wood products (with the exception of some appearance grade products).

PNB039-0708 The impact of sapwood, and the properties and market utilisation of plantation and young hardwoods.



▲ Left: BING – equipment used for the acquisition of the off-line acoustic signals. Right: Log end with labelled template for locating position in tree after sawing (note vibration sensor attached near the pith for determining the acoustic properties of the log).

Investigating non-destructive grading of softwoods

Next generation grading technology has the potential to enable sawmills to optimise cost of operation.

Current commercial softwoods, such as radiata and Caribbean pine, are an important source of structural timber, but the variable properties of wood from these fast-grown trees means that mills must sort the timber into appropriate stress groups to ensure safety and performance. Currently this grading takes place once the logs have been cut into boards and undergone costly drying. In this study, researchers assessed the usefulness of non-destructive grading techniques that are conducted before logs are cut or dried. The results showed that these non-destructive tests gave a good indication of the boards' final stiffness. In particular, grading green boards before drying could reduce the volume of non-structural boards that are dried by 5 to 8%, with an associated saving of \$70 to \$85 per m³.

PNB040-0708 MOE and MOR assessment technologies for improving graded recovery of exotic pines in Australia.

Investigating potential market opportunities for low VOC wood products

Examining legislation and user preferences that have occurred in other industries could identify new growth opportunities for low VOC wood products.

Australia's engineered wood products industry stands to reap rewards from taking a proactive approach to the likely future regulation of volatile organic compound (VOC) emissions. Formaldehyde and other VOCs have been linked to health problems when they reach high levels in indoor environments. The report shows that while mandatory regulation of these compounds is largely in its infancy, increasing consumer demand for safe and 'green' products is very likely to drive regulators to tighten VOC emission limits for building products. Legislation is already being developed that may limit, restrict or ban the use of some building products including wood products due to their VOC emissions. The report's authors say that by focusing on making Australian wood products with low VOC emissions, the industry here could reinforce the present market perception of Australian products being safe and environmentally friendly.

PNB043-0708 A review of the potential impact of VOC emissions on the future market share for engineered wood products.

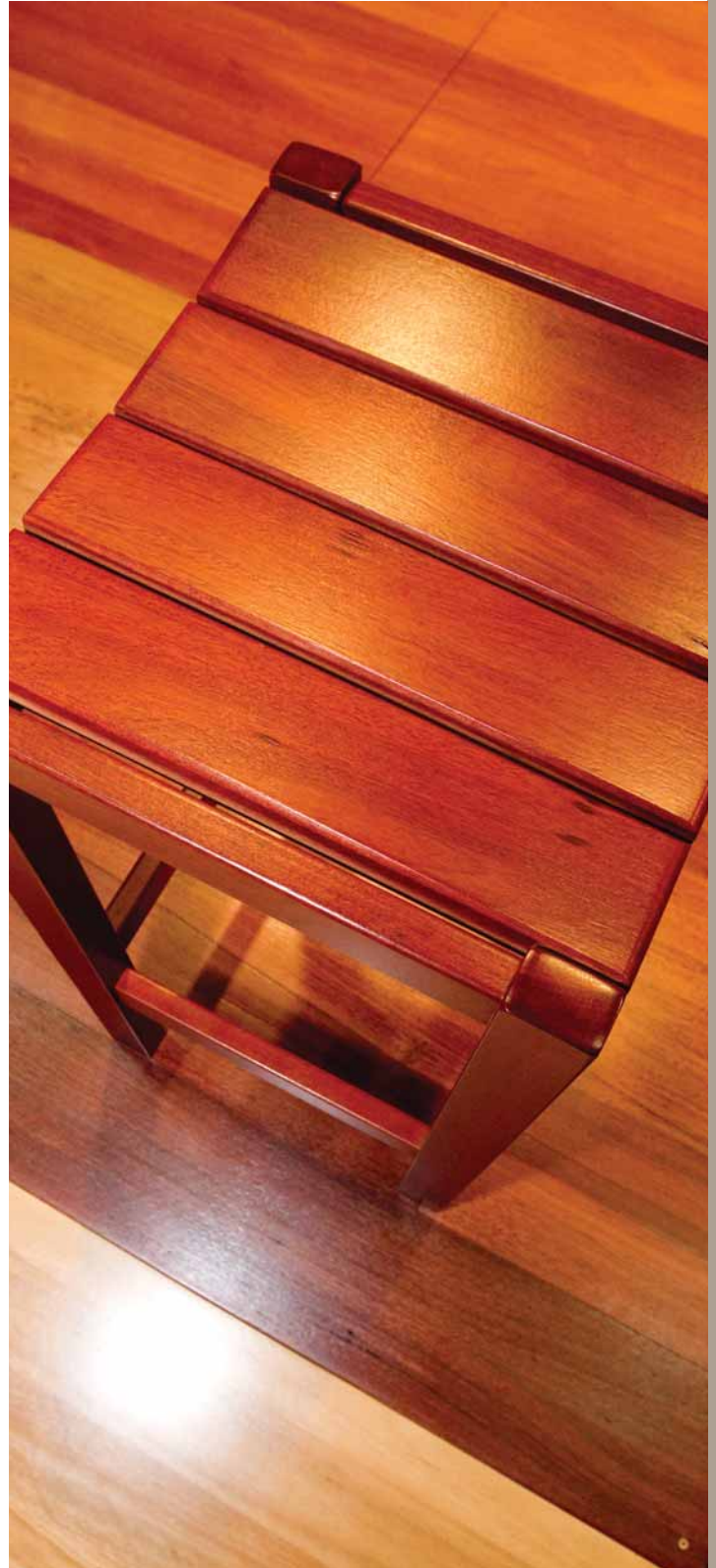
Improving the global competitiveness of the Australian wood furniture industry

Identifying opportunities to value add can strengthen the Australian industry.

This postgraduate scholarship study focused on the drivers for, and barriers to, value creation in the Australian wood furniture value chain. The research has identified specific areas for improving the global competitiveness of the Australian wood furniture industry, and examined the most promising mechanisms for collaborative value creation within the Australian wood furniture value chain.

The study aims to maximise forest product values by proposing a focused, end-consumer oriented, value chain model to build the competitiveness of the Australian wood furniture industry. This approach could also help increase market competitiveness for other forest products.

FWPA PhD Scholarship – Sasha Alexander UTS
Competition and Collaboration in the Australian Wood Furniture Industry: A Value Chain Approach.



Assessing the suitability of roof system designs for fire prone regions

Identifying designs incorporating timber trusses that pass the Australian Bushfire Attack Level standards test will avoid potential loss of market in Victoria and elsewhere as new standards are adopted.

Building houses in bushfire-prone regions requires a careful choice of materials; they must be affordable, easy for local builders to source and work, and effective in reducing the chances of the house catching fire. In partnership with other material suppliers, this project assessed various sheet metal roof designs and materials including roof trusses, battens, lining boards and fascia linings. Roof ridges and roof valley prototypes were built to compare timber, steel, plasterboard, cement-sheet and insulation products. Each prototype was placed in front of a furnace, and then radiant heat was measured at strategic points inside the roof.

The project identified successful designs that featured timber trusses lined with a proprietary fire-resistant cement sheet, timber battens and a steel roof finished with close-fitting flashing and capping. These designs passed the Australian Bushfire Attack Level standards test and are effective for fire-prone regions and ensure that timber trussed roof systems are still available to the housing market for use in all regions of Australia.

PRA133-0809 An assessment of the bushfire attack level (BAL) performance of various sheet metal roof systems if tested in accordance with AS 1530.8.2-2007 Section 16 (Flame Zone).

Monitoring the performance of IBAs under real time and accelerated testing regimes

Standards and performance requirements can slow the uptake of new adhesives and understanding more about durability testing can provide increased opportunities for Australian industry to adopt advanced adhesive systems.

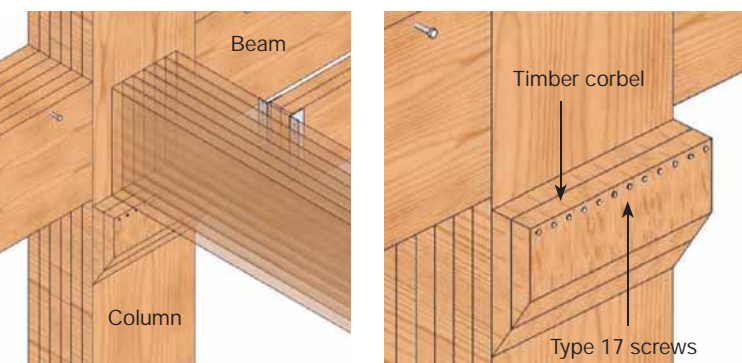
This project focused on the performance of isocyanate-based adhesives (IBAs) used to bond Australian wood species in Australian conditions. IBAs are an alternative to phenolic-based adhesives used to produce engineered wood products (EWP). There were three main areas of investigation; a three year exposure test to monitor the durability of IBAs; five accelerated test methods; and the hygro-mechanical responses (i.e. response to changes in environmental conditions, particularly moisture) of thin films of adhesives. The wood species tested were Radiata Pine, Victorian Ash and Spotted Gum.

The project has found that determining a correlation between the three-year exposure test results and the accelerated tests is difficult. Both the phenolic-based adhesive and the IBAs performed similarly in the exposure test, and there was no significant adhesive degradation associated with the Radiata Pine or Victorian Ash samples. A longer exposure period may be required for any trends to become more apparent.

PNB034-0506 The durability of isocyanate-based adhesives under service in Australian conditions. The results from a three-year exposure study and accelerated testing regime.

▼ The samples at an exposure site in Darwin showing a close-up of the loaded samples in the test rigs.





- ▲ Timber Gravity Corbels designed to carry the combined gravity loading of factored permanent and imposed loads. Screws are necessary to resist tensile stresses developed in the top part of the corbel due to the bending moment induced by the gravity load coming from the beam.

Investigating the performance of timber concrete composite (TCC) floors

Demonstrating that TCC floors offer significant advantages in multi-storey building construction and are a viable alternative to conventional systems will encourage their use.

This project has developed technologies for prefabricated structural systems constructed from engineered wood products for floors and building frames, suitable for buildings up to eight storeys in height. The project included the design of a virtual multi-storey timber building, a review of commercial flooring systems, and the development of interim design procedures for timber concrete composite (TCC) floors. Compared with either solid concrete or timber floors, TCC floors provide an excellent balance between increased stiffness, reduced weight, better acoustic separation and good thermal mass.

Outcomes from the project have confirmed TCC floors as a viable alternative to conventional flooring systems. The life cycle analysis of the virtual timber building has highlighted the potential advantages of timber-based building systems for commercial applications. The project also resulted in the formation of the Structural Timber Innovation Company, a research company that will continue to develop timber building systems in non-residential buildings in Australia and New Zealand.

PNA012-0708 Innovative engineered timber building systems for non-residential applications, utilising timber concrete composite flooring capable of spanning up to 8 to 10 m.

Identifying genes to increase the quality of tree yields

Genetic optimisation processes, developed and demonstrated in wood pulp trees, have the potential to deliver benefits in increased yields and productivity throughout the industry.

Every forestry manager wants trees that will grow efficiently, make the best use of land and water resources and maximise yields. However, traditional selective breeding of trees for desired traits can take decades before commercial varieties are a reality. To breed better trees faster, this study examined genetic variations (alleles) in about 100 *Eucalyptus nitens* (Shining Gum) genes that may improve kraft pulp yield, cellulose and growth. Alleles were identified using points of variation in gene sequences known as single nucleotide polymorphisms or SNPs. The study identified 11 genes that had SNPs (alleles) that significantly contributed to increased cellulose and kraft pulp yield in the three different climate regions studied. By selecting offspring from existing trees that have six of these desirable alleles a standard eucalypt pulp mill could improve profitability by more than \$40 million per year.

PNC052-0708 Accelerated breeding for high pulp yield in *E. nitens* using DNA markers identified in 100 cell wall genes: The Hottest 100.

- ▼ Preparation of wood discs for scans by Near Infra Red detector (Phazir).



STRATEGY THREE: CAPABILITY ADOPTION AND PROMOTION

During the year the activities under this strategy were broadened, in line with the 5-year Strategic Plan and Ministerial priorities, to include a greater focus on educational initiatives. This is in addition to the aims of facilitating industry improvement and adoption of best practice, disseminating R&D results and helping industry to access knowledge and technology developed elsewhere.

Capability

Two of the Ministerial priorities relate directly to the investment in capability:

- **Workforce, skills and education** – educating future scientists, improving the knowledge and skills of producers and encouraging people to work in the sector.
- **Diversity** – build strong leadership capacity in the sector and encourage a diversity of people in primary industries, including a greater role for Indigenous Australians, women and young people.

Education initiatives

A significant event during the year was the completion and publication of a report, Review of Australian Forestry and Wood Products Education and Training Needs, by Rob de Fegely. The report was based on more than 80 interviews with industry executives and reviews of activities in other countries and other industries.

The report contains a series of recommendations to overcome existing gaps and identified needs, including establishing the following:

- An up-to-date Australian forest industry website.
- A limited primary and secondary schools program.
- A tertiary program incorporating vocational study, university level training and mid-career programs.

The report can be downloaded from the corporate publications section of www.fwpa.com.au.

Based on the de Fegely report, consultation with the industry and educational institutions and the 5 year Strategic Plan, FWPA has produced an education investment plan. The plan integrates and advances existing activities and new initiatives to provide the industry with a comprehensive program to meet current and future needs.

Scholarships and awards

Scholarships and awards programs, aimed at the industry and the research community, are designed to increase the industry's capability to create and apply knowledge. These programs encompass people beginning their careers and those in mid-career, to maximise the opportunities for industry participants to increase their knowledge and develop their skills.

A new initiative during the year was the sponsorship of an industry participant in the Australian Rural Leadership Foundation (ARLF) TRAILblazer program, designed to build the skills of existing industry leaders.

Russell Grimwade Prize

The prize is awarded to encourage forest science in Australia and the successful applicant is to use the prize to meet the costs or part of the costs of undertaking post graduate forestry study at any tertiary educational institution in Australia or elsewhere.

The 2010 Russell Grimwade Prize was launched at the Institute of Foresters of Australia conference in September, an event FWPA sponsored with an exhibit.

Denis Cullity Research Fellowship

The Denis Cullity Research Fellowship is awarded on an annual basis to allow an Australian forest or forest products scientist to undertake or participate in research and development, in a country outside Australia, which has the potential to benefit the Australian forest and wood products industry.

The 2010 Denis Cullity Fellowship was advertised in May for six weeks.

Adoption and Promotion

Investment in R&D can only benefit the industry if the results are communicated to relevant audiences. Effectively disseminated, knowledge can lead to the adoption of best practices, the creation of new technologies and more rapid achievement of industry goals.

To ensure that research outcomes are actively promoted, FWPA's research proposal assessment process includes consideration of technology transfer and the engagement of the supplier in the process.

Channels through which FWPA promotes completed projects include the internet (www.fwpa.com.au, www.timber.org.au), newsletters (Leading Edge), industry press, media releases and executive summaries.



▲ The first meeting of the Standards Reference Group.

Workshops and seminars are also used to reach relevant audiences. These activities increase awareness of the results and encourage their adoption by the industry.

The new industry knowledge hub website reported in Strategy 2 on page 21 of this report will provide another channel through which relevant research results will be accessible.

Sponsorships

Sponsorship of selected technical conferences and support of peer review and discussion of scientific research enables FWPA to facilitate the exchange of knowledge and flow of information in the forest and wood products industry. Sponsorships include the following:

2009 Science and Innovation Awards for Young People in Agriculture, Fisheries and Forestry

15 September 2009 (Canberra)

The awards help young people to pursue innovative scientific ideas that will develop long-term benefits to Australia's rural industries. Funding can be used for a research project, an industry visit, further study into a specific area or attending conferences.

Institute of Foresters of Australia Conference

6–10 September 2009 (Brisbane)

This conference focused on the role of forestry in a changing climate. It covered sustainable living and the provision of solid wood products, water, bio-energy, buried carbon reserves and biodiversity and policy development needed to shape the public and government perception and action.

Frame Australia

21–22 June 2010 (Melbourne)

Frame Australia is the principal national conference for the structural timber and pre-fabrication industries, presenting a range of topics around the theme 'Sustainable housing construction'.

Forest Industry Engineering Association

FWPA is a gold sponsor of the Forest Industry Engineering Association (FIEA). With a regular series of conferences, practical workshops and managed exhibitions every year, FIEA is a vehicle for technology transfer for forestry and wood products companies. Forestry and wood product companies, key product suppliers, researchers and technology providers from throughout the world are targeted and involved with the programs. In addition to these events, new resources from the technology programs are being supplied to New Zealand and Australian companies.

FIEA events include:

Sawtech 09

14–15 September 2009 (Melbourne)

This is a biennial practical program that gives New Zealand and Australian sawmilling companies information on technologies, innovations and tools to improve sawing efficiencies. It also provides techniques that are successfully used by leading saw suppliers and saw-shops on designing, selecting, maintaining and operating saws.

ForestTECH 09

16–18 November 2009 (Melbourne)

This is an innovative technology transfer program designed with a wide cross-section of forestry owners, managers and technical staff. The content was developed from two very successful events that have recently been run for forestry companies in New Zealand and Australia, ForestTECH 2007 and ForestTECH 2008.

Future Forestry Finance

1–2 March 2010 (Melbourne)

A conference designed to deliver practical and timely information on forestry and wood products companies across the Australian and New Zealand sectors, for the benefit of industry leaders and key financiers of forestry.

CASE STUDY

World Conference on Timber Engineering Study Tour

Eight undergraduate and postgraduate engineering students from around Australia were selected to attend the 11th World Conference on Timber Engineering in Italy.

The students were chosen after independent review of 500-word essays which highlighted the inherent structural properties of timber in relation to competing materials, its aesthetic qualities, and the importance of using a renewable resource to minimise construction impacts.

The students, who attended the international conference through an initiative sponsored by Australia's Wood. Naturally Better.™ program, said the amount of information and product knowledge presented and the technological advances in the area of timber engineering were both impressive and inspiring.

University of Tasmania student Will Owens, 25, who is in the final year of his engineering degree said, "One particular presentation started with a quote I will always retain – you can like other construction materials, but you can love only wood. This set the tempo for me, and there was a real passion that was clearly visible and that has definitely rubbed off on me."

For Zhinous Zabihi, in her second year of a doctoral degree at the University of Technology in Sydney, the most interesting sessions covered the fire resistance behavior of timber and the studies that have been specifically undertaken for the charring rate of Cross Laminated Timber (CLT) as well as the recent technologies in using CLT in structures.



CASE STUDY



▲ Lyndall Bull, Science Awards

Science and Innovation Awards recognise forest carbon sinks

The Science and Innovation Awards for Young People in Agriculture, Fisheries and Forestry award up to \$50,000 to people whose proposals show innovation, creativity and the potential to deliver long-term benefits to rural industries. Coordinated by the Bureau of Rural Sciences and sponsored by FWPA, the awards are in 15 different primary industry categories.

This year, Dr Lyndall Bull from ANU was presented with an award for a proposal to research landowners' attitudes to forest carbon sinks.

Lyndall says, "There's been lots of research to identify the areas of land suitable for reforestation to mitigate Australia's greenhouse gas emissions. However, we don't know very much about how Australian landowners feel about using their land for planting of forest carbon offset sinks or how well-informed they are about the rules and regulations of carbon trading.

"My findings will help improve the accuracy of current modelling of reforestation potential in Australia and our ability to meet carbon reduction targets," said Lyndall. "I hope to provide policy makers with insight into the reforestation plans of landowners, which they can then use to develop appropriate policies to get the best benefits from reforestation activities."

STRATEGY FOUR: PROVIDING INDUSTRY SERVICES

Setting new industry codes and standards

In July 2009, the Board of FWPA adopted a strategy to undertake the coordination of building codes and standards as an industry service. This will be done with close consultation and engagement with FWPA members who expressed interest in being involved with the standards network.

The issues around standards development were initially identified in 2007 in a briefing paper by Andrew Dunn (TDA) and Peter Juniper (A3P) presented to FWPA Advisory MADAG group. Subsequently, Stephen Bolden and Professor Ian Ferguson were commissioned to provide an in-depth review of the standards process. The report's recommendations were reviewed by FWPA management and the Board who requested consultation with FWPA stakeholders and other industry bodies which culminated in the Timber Standards Development Workshop. The workshop, attended by more than 50 industry stakeholders, uncovered a clear need for a long-term standards strategy.

In the past, developing and maintaining national timber product standards and linkages with relevant building codes and standards was done in an ad-hoc manner, incorporating inputs from industry, research agencies and professional associations.

Appointing relevant expertise

In October 2009 Neil Evans was appointed to the new senior management role of Timber Standards Manager. Neil has a strong understanding of the building sector and key standards from an end-users perspective and has also been an active participant on key technical committees and FWPA's Market Access and Development Industry Advisory Group. His strong background in developing national policies that encompass the needs of industry stakeholders makes him a welcome addition to FWPA's management team.

Creating the Standards Reference Group

The Standards Reference Group has been created to provide expert advice with respect to strategic directions in the development of standards and codes to maintain the international competitiveness of the Australian forest and wood products industry.

The terms of reference for the SRG are to:

- Advise the Company on strategic direction and the most efficient and effective way to deliver regulations to support industry development and growth.
- Identify opportunities and projects that will lead to new technologies that will advance sales and use of forest and wood products.
- Prioritise Standards that need review and identify what format they will take, working within the set budget.
- Ensure all recommendations and advice are developed keeping in mind the best interests of the overall industry and no bias is given to specific sectors.
- Review progress on achievement of program objectives from an industry wide perspective.

Standards Reference Group Members

Mr Ric Sinclair (Chair)

Forest and Wood Products Australia

Mr Neil Evans

Forest and Wood Products Australia

Mr Peter Juniper

A3P – Australian Plantation Products & Paper Industry Council

Mr Peter Robson

Boral Timber Division

Mr Kim Harris

Carter Holt Harvey Woodproducts Australia

Mr Simon Dorries

Engineered Wood Products Association of Australasia

Mr Frank Moretti

Gunnersens Pty Ltd

Mr David Gover

Gunns Ltd

Mr David Marlay

Hyne Timber

Mr Gary Demby

McCormack Demby Timber Pty Ltd

Mr Vincent Corlett

Nannup Timber Processing (NTP)

Mr Craig Kay

Tilling Timber Pty Ltd

Mr Richard Schaffner

Wespine Industries Pty Ltd

Ms Lorraine Reyes (Secretariat)

Forest and Wood Products Australia

Standards Activities

Construction of Buildings in Bushfire areas

A range of views have been put forward regarding the Bushfire Attack Level (BAL) and moisture levels of timber. FWPA has engaged an expert to review the relevant reports and determine whether timber can be retained in the current sections for construction of buildings and decks.

Representation on Standards committees

FWPA is currently represented on the following Standards committees, some of which are active and others scheduled to become so:

- BD-06 General Design Requirements and Loading and Structures
- BD-006 01 Permanent, Imposed and Other Actions
- BD-006 02 Wind Loads
- BD-006 03 Snow Actions
- BD-006 04 Earthquake Actions NZ
- BD-006 10 General Design Requirements
- BD-006 11 Earthquake Actions Aust
- BD-011 Interior Board Linings
- CE-032 Reinforced Soils and Retaining Structures
- FP-018 Fire Safety
- FP-20 Construction in Bushfire Prone Areas
- TM-001 00-05 Testing Bracing Wall Units
- TM-002 Timber Framing
- TM-007 Milled Products.

Standards development

AS 1170.1 and AS 1170.2 (loading standards)

These have both been recently reviewed by the relevant committees. Members of the committees were invited to vote on each standard. FWPA posted a positive vote for AS 1170.1 which had minor amendments and was not going to have an impact on timber use. On the other hand, FWPA posted a negative vote against AS 1170.2 because it was going to have a significant impact on timber frame construction.

1.4 AS 1684 and AS 1720

FWPA and Standards Australia are in discussions to run joint training seminars across Australia in the main capital cities on the changes and interpretation of the amended structural timber standards. The seminars will focus on practitioners including specifiers, building surveyors, engineers and builders.

Updated Priority Standards

The Standards Reference group have supported the development of the high priority standards identified by FWPA using the rating criteria. The standards for this year's work program are:

- AS 3959 Construction in bushfire areas
- AS 1170 Wind loading
- AS 1080 Method of test (stds)
- AS 1720 Truss design; AS 1684.1 Framing
- AS/NZS 4063 Structural property testing
- AS 1684.2 & 3 Span tables
- AS 3818.1-8 Visual grading
- AS 1605 Preservative standard
- AS/NZS 2843.1&2 Treatment plant design
- AS 5604 Natural durability ratings
- AS/NZS 1328.1 Glued laminated structural timber
- AS/NZS 2269 Structural plywood
- AS/NZS 4357.0 Specs, formaldehyde emissions for LVL
- AS 1604 Preservative treated timber.

DIRECTORS' REPORT

Directors

During the reporting period, nine non-Executive Directors served on the Board as well as the Managing Director. Six directors (including the Managing Director) were Directors of the Company for the full financial year. Two directors retired at the last annual general meeting.

Election of Directors

According to the Company Constitution, FWPA's Board shall comprise between five and nine Directors (including the Managing Director) at least two of whom are independent Directors. After the first annual general meeting, Directors, with the exception of the Managing Director who is an employee of the Company, are appointed on a rotational basis by the Company's voting members at the annual general meeting. The appointments are for terms of three years with a maximum of three consecutive terms.

Board of Directors

Mr Ron Adams
 Mr Peter Zed (Until 20 October 2009)
 Ms Kathryn Adams (Until 20 October 2009)
 Mr Vince Erasmus
 Dr Sadanandan Nambiar
 Mr Nick Roberts
 Mr Jim Snelson
 Mr Ric Sinclair
 Mr Evan Rolley (Appointed 20 October 2009)
 Mr Mark Grey (Appointed 20 October 2009)

Board committees

Board committees ensure appropriate management and review of company operations, and make certain that investments are adequately evaluated and deliver outcomes to Company Members and other stakeholders. The Board committees are: Audit and Finance Committee, Research and Development Investment Committee, and Promotion, Services and Communication Committee. All committee members listed were members of the committee for the entire year, unless otherwise specified.

Audit and Finance Committee

Members

Jim Snelson (Chair)
 Ron Adams (until 20 October 2009)
 Kathryn Adams (until 20 October 2009)
 Mark Grey (20 October 2009 – 30 June 2010)
 Evan Rolley (20 October 2009 – 30 June 2010)

Invited guests

Mr Ric Sinclair
 Mr Jason See

The key tasks of the Audit and Finance Committee are to:

- Ensure prudent management of the Company's finances; ensure the Board makes informed decisions regarding the Company's overall expenditures; ensure activities approved by the Board are consistent with Australian law relating to prudent financial management; ensure the terms and conditions of employment of the Company's staff are consistent with the relevant Commonwealth and State Government policies and laws; and provide a general overview of the Company's financial management.
- Liaise with FWPA's auditors; review the adequacy of internal controls and of compliance with relevant laws, regulations, policies and procedures; report to the Board on the adequacy of audit procedures; and promote accurate, high quality and timely disclosure of financial and other information to the Board and key stakeholders.

Research and Development Investment Committee

Members

Mr Peter Zed (Chair until 20 October 2009)
 Vince Erasmus (Chair 20 October 2009 – 30 June 2010)
 Dr Sadanandan Nambiar (20 October 2009 – 30 June 2010)
 Ron Adams (20 October 2009 – 30 June 2010)
 Evan Rolley (20 October 2009 – 30 June 2010)

The key tasks of the Research and Development Investment Committee are to:

- Approve research investments as specified within the Company Delegation Authority.
- Provide recommendations to the Board regarding the Company's R&D project investments and policies; ensure the prudent management of the Company's contractual R&D commitments; and work in association with industry advisory groups to develop R&D strategy and identify priorities.

Promotion, Services and Communication Committee

Members: Kathryn Adams (Chair until 20 October 2009), Nick Roberts (Chair, 20 October 2009 – 30 June 2010), Jim Snelson, Mark Grey (20 October 2009 – 30 June 2010), Ric Sinclair.

The key tasks of the Promotion, Services and Communication Committee are to:

- Approve investments as specified within the Company Delegation Authority.
- Oversee the Capability, Adoption and Promotion program, including advising the Company on knowledge management and technology transfer from R&D activities; develop and implement the Company's communication and technology transfer plans; and provide informed advice to the Board regarding the Company's marketing, communication and technology transfer activities.

Board meetings

During the reporting period the Board held seven meetings. Details of attendance by individual Board members are provided below.

Nature of operations

The major activities of the FWPA during the financial year comprised:

- Providing research and development to support the Australian forest and wood products industry; and
- Providing domestic marketing and promotion services to the Australian forest and wood products industry.

There have been no significant changes in the nature of these operations during the period.

Results of operations

The operating result for the financial year to 30 June 2010 was an operating deficit of \$1,226,978.

Rounding amounts

FWPA is a Company of the kind specified in the Australian Securities and Investments Commission class order 98/0100. In accordance with that class order, amounts in the financial statements and the directors' report have been rounded to the nearest dollar unless specifically stated to be otherwise.

DIRECTOR	BOARD		AUDIT & FINANCE		R&D		PROMOTION, SERVICES AND COMMUNICATION	
	No. meetings attended	No. meetings eligible to attend	No. meetings attended	No. meetings eligible to attend	No. meetings attended	No. meetings eligible to attend	No. meetings attended	No. meetings eligible to attend
Mr Ron Adams	6	7	1	1	2	2		
Mr Peter Zed*	2	2			1	1		
Ms Kathryn Adams*	1	2	1	1			1	1
Mr Vince Erasmus	7	7			3	3		
Dr Sadanandan Nambiar	7	7			3	3		
Mr Nick Roberts	6	7			1	1	2	3
Mr Jim Snelson	5	7	3	3			3	3
Mr Ric Sinclair	7	7			2	3	3	3
Mr Evan Rolley	4	5	2	2	2	2		
Mr Mark Grey	5	5	2	2			2	2

* Resigned with effect from 20 October 2009

Significant events after the balance date

There have been no events between the end of the financial year and the date of this report, which in the opinion of the Directors are likely to affect significantly the operations of the company, the results of those operations, or the state of affairs of the company in subsequent financial years.

Code of conduct

The FWPA Code of Conduct requires the Board and all staff to promote high standards of ethics and integrity. The language, attitudes and actions of directors, senior management and staff must reflect the principles of integrity and ethics, as well as the company's values and culture. The Code of Conduct recognises that FWPA's employees are vital to the fulfilment of the Company's purpose and, consequently, the highest level of staff satisfaction, health and safety must be maintained. It also encourages directors and staff to commit to the philosophy of continuous improvement at the corporate and individual levels.

Conflict of interest and register of interests

A Director must disclose an interest wherever he or she considers there is a potential conflict of interest and a Declaration of Directors' Interests is a standing agenda item for all Board meetings. This policy is consistent with Section 21 of the Corporations Act 2001.

Risk management, fraud control and business recovery

The company has risk management, business recovery, IP management and fraud control plans in place. Two internal audits were undertaken in line with the risk management plan.

Environmental regulation and performance

The Company is not subject to any particular or significant environmental regulation.

Indemnification and insurance of Directors and officers

Appropriate insurance policies were maintained for the period to cover Directors and officers for professional indemnity; general liability; property loss, destruction or damage; increased cost of working/ business interruption; official overseas travel and workers' compensation.

Auditor independence

The auditors' independence declaration in relation to the audit of the Company's accounts for the financial year 30 June 2010 is set out in the financial report and forms part of the Directors' report.

Registered office and principal place of business

Level 4, 10-16 Queen Street
Melbourne Victoria 3000
Phone: (03) 9927 3200

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



Ronald Adams
Director
24 August 2010



Alaric Sinclair
Director
24 August 2010

FINANCIAL STATEMENTS

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DIRECTORS' DECLARATION

The Directors of the Company declare that:

- 1 The financial statements and notes, as set out on pages 47 to 64, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the period ended on that date of the Company.
- 2 In the Directors' opinion, there are reasonable grounds to believe that the Company 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.



Ronald Adams
Director



Alaric Sinclair
Director

Dated this 24th day of August 2010

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2010

	<i>Note</i>	2010 \$	2009 \$
Revenue	2(a)	8,583,884	8,787,649
Other income	2(c)	668,309	796,108
Employee benefits expense	3(a)	(1,119,389)	(1,066,787)
Depreciation, amortisation and impairments	7(a)	(30,967)	(33,466)
Research and development project costs	3(b)	(5,702,403)	(6,053,332)
Industry and product promotion		(2,964,148)	(3,221,820)
Other expenses		(662,264)	(726,395)
Net surplus/(deficit)		(1,226,978)	(1,518,043)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION as at 30 June 2010

	<i>Note</i>	2010 \$	2009 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	604,705	2,917,235
Trade and other receivables	5	797,284	741,371
Financial assets	6	8,156,922	7,047,105
Total current assets		9,558,911	10,705,711
Non-current assets			
Furniture and equipment	7	151,723	152,202
Total non-current assets		151,723	152,202
Total assets		9,710,634	10,857,913
LIABILITIES			
Current liabilities			
Trade and other payables	8	134,460	90,074
Short-term provisions	9	141,563	107,128
Other current liabilities	10	6,000	6,000
Total current liabilities		282,023	203,202
Non-current liabilities			
Other long-term provisions	9	35,370	28,492
Other non-current liabilities	10	12,000	18,000
Total non-current liabilities		47,370	46,492
Total liabilities		329,393	249,694
Net assets		9,381,241	10,608,219
EQUITY			
Retained surplus		9,381,241	10,608,219
Total equity		9,381,241	10,608,219

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2010

<i>Note</i>	2010 \$	2009 \$
Opening balance at beginning of year	10,608,219	12,126,262
Net surplus/(deficit)	(1,226,978)	(1,518,043)
Closing balance at the end of year	9,381,241	10,608,219

NB: The Company's equity balance at year end should be read in the context of the following Schedule of Commitments.

SCHEDULE OF COMMITMENTS for the year ended 30 June 2010

	2010 \$	2009 \$
BY TYPE		
Commitments		
Commitments ¹	5,731,759	8,119,389
Total commitments by type	5,731,759	8,119,389
BY MATURITY		
Commitments		
One year or less	2,930,938	3,915,803
From one to five years	2,800,821	4,203,586
Total commitments by maturity	5,731,759	8,119,389

NB: Commitments are GST inclusive where relevant.

¹ As at 30 June 2010, commitments comprise payable under project and grant agreements in respect of which the recipients are yet to either perform the services required or meet eligible conditions. Details of Commitments:

	Commitments 0-1 year	Commitments 1-5 years	Total Commitments
Market access development	458,730	611,626	1,070,356
Solid wood processing	991,800	816,500	1,808,300
Sustainability and resources	1,223,338	1,301,195	2,524,533
Capability adoption and promotions	252,470	71,500	323,970
Other R&D matchable activities	4,600	-	4,600
	2,930,938	2,800,821	5,731,759

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOW for the year ended 30 June 2010

	<i>Note</i>	2010 \$	2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from members and government		8,714,349	9,224,476
Payments to suppliers and employees		(10,359,781)	(11,115,041)
Interest received		377,395	785,846
Net cash provided by (used in) operating activities	12	(1,268,040)	(1,104,719)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(39,212)	(24,169)
Acquisition of financial assets		(1,005,278)	(2,500,000)
Net cash provided by (used in) investing activities		(1,044,490)	(2,524,169)
Net increase (decrease) in cash held		(2,312,530)	(3,628,888)
Cash at the beginning of the reporting period		2,917,235	6,546,123
Cash at end of financial period	4	604,705	2,917,235

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS 30 June 2010

1 Accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Forest & Wood Products Australia Limited is a company limited by guarantee, incorporated and domiciled in Australia.

The financial report of Forest & Wood Products Australia Limited complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(b) Significant accounting estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and may have an impact on future periods.

(c) Comparatives

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

(d) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Members' levies are recognised on advice of entitlement from the Department of Agriculture, Fisheries and Forestry and from State Growers' estimate of their levies payable.

Government contributions are recognised at fair value where there is reasonable assurance that the contribution will be received and all conditions will be met.

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

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(f) Furniture and equipment

Each class of furniture and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Purchases of furniture and equipment are recognised initially at cost, except for purchases costing less than \$1,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total). The cost and related accumulated depreciation on furniture and equipment sold or otherwise disposed of are removed from the accounts and any gain or loss is reported as current period's revenue or expense.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Office equipment 13% - 27%

Leasehold improvements 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying amount of furniture and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS 30 June 2010

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(g) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to contractual provisions of the instruments. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Held-to-maturity investments

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method.

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 stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

(h) Trade payables

Trade and other payables are stated at cost, which approximates fair value due to the short-term nature of these liabilities.

(i) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. 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, plus related on-costs. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expect future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Superannuation

Employees of the Company are members of the Australian Government Employees Superannuation Trust (AGEST), State Super Financial Service (SSFS), Equisuper and ING Superannuation Fund. Contributions are made to the Company employee superannuation funds and are charged as expenses when incurred.

NOTES TO THE FINANCIAL STATEMENTS 30 June 2010

(j) Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

(k) Goods and Services Tax (GST)

Revenues, 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. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(l) Lease

Leases are classified as finance or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a finance lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred. The Company does not have any finance leases.

(m) Impairment of assets

The Company monitors the recoverability of assets, based on factors such as current market value, future asset utilisation, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset. To 30 June 2010, no impairment losses have been recorded.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(n) Income taxes

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

(o) Rounding of amounts

The Company has applied the relief available to it under ASIC Class Order 98/0100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest \$1.

NOTES TO THE FINANCIAL STATEMENTS 30 June 2010

	2010 \$	2009 \$
2 Revenue		
(a) Revenue breakup		
Commonwealth matching	3,502,250	3,729,252
Industry contributions 2(b)	5,081,634	5,058,397
Total revenue	8,583,884	8,787,649
(b) Industry contributions		
Processors	2,944,581	3,102,876
Importers	951,603	702,583
Growers	512,313	573,853
State growers	661,446	669,540
Penalties	11,691	9,545
Total industry contributions	5,081,634	5,058,397
(c) Other revenue		
Bank interest received	471,236	728,684
Industry project contributions	157,818	61,951
Others	39,255	5,473
Total other revenue	668,309	796,108
3 Expenses		
(a) Employee benefits expense¹		
Wages and salaries	983,591	948,752
Annual leave	15,177	3,375
Long service leave	19,748	21,581
Superannuation contributions	76,692	75,307
Payroll tax	24,181	17,772
Total employee benefits expense	1,119,389	1,066,787
1. Employee benefits pertaining to Timber Standard Development are classified as project costs.		
(b) Research and development projects costs		
Market access development	1,486,141	2,203,041
Solid wood processing	1,375,656	1,174,102
Sustainability and resources	1,394,572	1,825,841
Capability adoption and promotions	675,168	826,220
Stakeholder consultation and development	274,266	24,128
Specifier information and education activities	496,600	-
Total research and development project costs	5,702,403	6,053,332

NOTES TO THE FINANCIAL STATEMENTS 30 June 2010

	2010 \$	2009 \$
4 Cash and cash equivalents		
Cash on hand	200	200
Cash at bank	604,505	917,035
Short-term bank deposits	-	2,000,000
	604,705	2,917,235
5 Trade and other receivables		
CURRENT		
Commonwealth matching	492,537	544,174
Levies receivable	227,482	217,682
Interest receivable	2,051	12,749
Prepayments	6,743	11,255
GST receivable/(payable)	68,472	(44,489)
	797,284	741,371
6 Other financial assets		
Held to maturity investment: long term bank deposits	8,156,922	7,047,105
7 Furniture and equipment		
Office equipment		
At cost	145,980	131,856
Less accumulated depreciation	(104,441)	(103,332)
Total office equipment	41,539	28,524
Improvements		
At cost	167,797	154,455
Less accumulated depreciation	(57,613)	(30,777)
Total improvements	110,184	123,678
Total furniture and equipment	151,723	152,202

NOTES TO THE FINANCIAL STATEMENTS 30 June 2010

(a) Movements in Carrying Amounts	Office Equipment	Improvements	Total
	\$	\$	\$
Balance at 30 June 2009	28,524	123,678	152,202
Additions	25,869	13,342	39,211
Depreciation expense	(12,076)	(18,891)	(30,967)
Program depreciation expense	(778)	(1,945)	(2,723)
Lease incentive amortise	-	(6,000)	(6,000)
Carrying amount at the end of period	41,539	110,184	151,723

	2010	2009
	\$	\$
8 Trade and other payables		
CURRENT		
Trade payables	93,253	58,882
	93,253	58,882
OTHER PAYABLES AND ACCRUALS		
Audit fee	10,000	9,500
PAYG tax and FBT (BAS)	31,207	21,692
	41,207	31,192

9 Provisions	Make good of premises	Long term employee benefits	Total
	\$	\$	\$
Balance at 30 June 2009	24,500	111,120	135,620
Additional provisions	-	41,313	41,313
Amounts used	-	-	-
Balance at 30 June 2010	24,500	152,433	176,933

The number of employees at 30 June 2010 was 9.

	2010	2009
	\$	\$
Analysis of total provisions		
Current	141,563	107,128
Non-current	35,370	28,492
	176,933	135,620

NOTES TO THE FINANCIAL STATEMENTS 30 June 2010

	2010 \$	2009 \$
10 Other liabilities		
CURRENT		
Lease incentive liability	6,000	6,000
NON-CURRENT		
Lease incentive liability	12,000	18,000

11 Members' Guarantee

The Company is limited by guarantee. If the Company is wound up, the Constitution states that each member is required to contribute a maximum of \$1 each towards any outstanding obligations of the Company. At 30 June 2010 the number of members was 68.

	2010 \$	2009 \$
12 Cash Flow information		
Reconciliation of cash flow from operations with profit after income tax		
Net income/loss for the period	(1,226,978)	(1,518,043)
Non-cash flows in profit		
Depreciation, amortisation and impairments	33,690	33,466
changes in assets and liabilities, net of the effects of transfers of operations		
(Increase)/decrease in trade and term receivables	(160,451)	426,564
Increase/(decrease) in trade payables and accruals	44,386	(68,288)
Increase/(decrease) in employee provisions	41,313	21,582
Cash flow from operations	(1,268,040)	(1,104,719)

13 Financial instruments**(a) Financial Risk Management Policies**

The Company's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and accounts payable. It does not have any derivative financial instruments at 30 June 2010.

The Company manages its exposure to key financial risks in accordance with the Risk Management Plan.

(i) Treasury Risk Management

The Audit and Finance Committee consisting of senior Directors meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

(ii) Financial Risk Exposures and Management

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

NOTES TO THE FINANCIAL STATEMENTS 30 June 2010

Interest rate risk

Interest rate risk relates to the cash deposits at Commonwealth Bank of Australia, Westpac Bank and the National Australia Bank (all triple AAA rated financial institutions). During the year, interest rates rose from approximately 3.5% to 6.3%.

The forecast by the market for 2010/11 is for more interest rate increases.

Foreign currency risk

The Company is not exposed to fluctuations in foreign currencies.

Liquidity Risk

The Company manages liquidity risk by monitoring forecast cash flows. The extent of exposure to liquidity risk is the carrying amounts of the liabilities and commitments as indicated in the Balance Sheet and Commitments schedule.

Trade and other payables will be settled between 7 to 30 days as per creditors' terms.

Employee leave will be settled as and when they fall due or when employment is terminated. The Company does not foresee any difficulty in meeting its financial liabilities.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The Company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Company.

Levies and matching payments receivable are guaranteed by Commonwealth Legislation. All receivables are aged less than 30 days and are expected to be settled within the 14 or 28 days invoice term. There are no material amounts of collateral held as security at 30 June 2010.

Price risk

The Company is not exposed to any material commodity price risk.

(b) Financial instruments**(i) Financial instrument composition and maturity analysis**

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:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Maturing within 1 year		Non-interest Bearing		Total	
	2010 %	2009 %	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$
Financial assets										
Cash and cash equivalents	1.74	6.34	604,505	917,035	-	2,000,000	200	200	604,705	2,917,235
Long-term deposits	4.90	7.74	-	-	8,156,922	7,047,105	-	-	8,156,922	7,047,105
Receivables			-	-	-	-	797,284	785,860	797,284	785,860
Total financial assets			604,505	917,035	8,156,922	9,047,105	797,484	786,060	9,558,911	10,750,200
Financial liabilities										
Trade and sundry payables				-		-	134,460	90,074	134,460	90,074
Total financial liabilities							134,460	90,074	134,460	90,074

All payables and receivables are expected to mature in less than 6 months. Long-term deposits are expected to mature in more than 6 months.

NOTES TO THE FINANCIAL STATEMENTS 30 June 2010

(ii) Net fair values

For financial assets and liabilities the net fair value is equal to their carrying values. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date:

	Total Carrying Amount		Aggregate Net Fair Value	
	2010 \$	2009 \$	2010 \$	2009 \$
Financial assets				
Cash and cash equivalents	604,705	2,917,235	604,705	2,917,235
Held-to-maturity financial assets	8,156,922	7,047,105	8,156,922	7,047,105
Receivables	797,284	785,860	797,284	785,860
	9,558,911	10,750,200	9,558,911	10,750,200
Financial liabilities				
Other liabilities	134,460	90,074	134,460	90,074
	134,460	90,074	134,460	90,074

(iii) Sensitivity analysis

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks. During the year, interest rate variation was 2.8%.

At 30 June 2010, the effect on profit and equity as a result of changes in the interest rate based on the average financial assets of \$10 million would be as follows:

Change in profit

Increase in interest rate by 2.8%	\$280,000
Decrease in interest rate by 2.8%	(\$280,000)

Change in equity

Increase in interest rate by 2.8%	\$280,000
Decrease in interest rate by 2.8%	(\$280,000)

NOTES TO THE FINANCIAL STATEMENTS 30 June 2010

	2010 \$	2009 \$
14 Directors' remuneration		
Amounts received, or due and receivable, by Directors	422,466	411,935
The names of Directors who have held office during the period are detailed in the Directors report.		
15 Auditors' remuneration		
Auditing the financial report	10,000	9,500

16 Related party transaction

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties were Directors' remuneration, as disclosed in Note 15.

During the year \$nil (2009: \$19,520) were paid to an entity controlled by the Company Secretary for secretarial services received.

17 Contingent liabilities

At 30 June 2010 the Company had no contingent liabilities.

18 Amounts guaranteed

The Company has issued a guarantee in the amount of \$ 37,051 in favour of Parkside Properties Pty Ltd with respect to an agreement for leased premises at Level 4, 10-16 Queen Street, Melbourne. The guarantee is held in a term deposit with Commonwealth Bank of Australia.

	2010 \$	2009 \$
19 Operating Lease Commitments		
BY TYPE		
Other commitments		
Operating leases	197,290	255,587
Total commitments by type	197,290	255,587
BY MATURITY		
Operating lease commitments		
One year or less	73,572	66,088
From one to five years	123,718	189,499
Total commitments by maturity	197,290	255,587

NB: Commitments are GST inclusive where relevant.

¹ Operating leases included are effectively non-cancellable and comprise leases for office accommodation.

Leasing arrangement: Lease payments are subject to annual increase in accordance with upwards movements in the Consumer Price Index.

NOTES TO THE FINANCIAL STATEMENTS 30 June 2010

Nature of lease	Annual Rental	Terms	Expiry	Commitments 0-1 year	Commitments 1-5 years	Total Commitments
Level 2, Suite 13 & 14 141 Osborne Street South Yarra VIC 3141	\$4,840	3 months	24/08/2010	\$4,840	\$ -	\$4,840
Level 4, 10-16 Queen Street Melbourne VIC 3000	\$68,732	5 years	13/05/2013	\$68,732	\$123,718	\$192,450

20 Assets held in trust

Russell Grimwade Prize Trust

Donations and Bequests Research Trust Account

Donations and bequests for specified research purposes are received from the public under formal trust arrangements. Monies received are placed in a special bank account and expended on the specified research projects in accordance with the terms of the trusts. The company took over control of the trust monies from Forest & Wood Products Research & Development Corporation on 3 September 2007. These monies are not available for other purposes of the company and are not recognised in the financial statements.

	2010 \$	2009 \$
Opening balance at the beginning year	209,104	198,907
Add: interest earned	4,573	10,257
Less: payments	-	(60)
Closing balance at the end of year	213,677	209,104

21 Events after the balance date

No events have occurred since 30 June 2010 which would significantly affect the operations of the Company.

22 Company details

The registered office of the Company is:

Forest and Wood Products Australia Limited
Level 4, 10-16 Queen Street
Melbourne Victoria 3000

AUDITORS INDEPENDENCE DECLARATION

under Section 307C of the *Corporations Act 2001*



Level 32, 80 Collins Street
MELBOURNE VIC 3000

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WHK Horwath Melbourne
41 099 415 845

24 August 2010

Board of Directors
Forest & Wood Products Australia Ltd
Level 4, 10-16 Queen Street
Melbourne VIC 3000

AUDITOR'S INDEPENDENCE DECLARATION TO FOREST & WOOD PRODUCTS AUSTRALIA LTD

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Forest & Wood Products Australia Ltd.

As lead audit partner for the audit of Forest & Wood Products Australia Ltd for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully,

WHK HORWATH MELBOURNE

Peter Sexton
Partner

Member Crowe Horwath International

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INDEPENDENT AUDIT REPORT



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Forest & Wood Products Australia Limited

A.C.N 127 114 185

Independent Audit Report to the members of
Forest & Wood Products Australia Limited

Report on the Financial Report

We have audited the accompanying financial report of Forest & Wood Products Australia Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes: designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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.

Member Crowe Horwath International

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Independence

We are independent of the company, and have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is attached to the Financial Report.

Auditor's Opinion

In our opinion:

- (a) the financial report of Forest & Wood Products Australia Limited is in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the financial position as at 30 June 2010 and of its financial performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

WHK HORWATH MELBOURNE

Peter Sexton
Partner
Date: 24 August 2010

RESEARCH PROJECTS 2009/10

Investment Priorities

- 1 Information, analysis and interpretation of domestic and export markets
- 2 Timber construction in residential buildings
- 3 Timber construction in commercial and industrial buildings
- 4 Appearance timber products and markets
- 5 Wood products in sustainable buildings
- 6 Development of secondary products and markets for them. *(No project activity during 2009/10.)*
- 7 Solid wood, engineered wood and pulp and paper products: Performance and yield
- 8 Maximising product yields and values from current resources
- 9 Improving wood quality and yield, and tools for forest management
- 10 Genetic improvement and delivery for increased wood yield and quality and for managing risks
- 11 Water use efficiency, access to resources and balanced policy outcomes
- 12 Forest biosecurity and preparedness
- 13 Mitigation of and adaptation to climate change and the management of the carbon cycle in plantations and native forests
- 14 Other

PROJECT DESCRIPTION	FWPA INVESTMENT \$	TOTAL PROJECT COST \$	STATUS	PROJECT NO.
Investment Priority 1. Information, analysis and interpretation of domestic and export markets				
Project: A market assessment and evaluation of structural roundwood products from hardwood pulp plantations	16,000	31,000	✓	PRA154-0910
Research Provider: Queensland Department of Employment, Economic Development and Innovation				
Project: Collection and compilation of production, consumption and trade statistics for forestry and forest products industries to give stakeholders accessible information on current industry performance	378,788	739,576	✓	PNA004-0607
Research Provider: Australian Bureau of Agricultural and Resource Economics				
Project: Investment strategy for market statistics and information	25,333	25,333	→	PRA170-0910
Research Provider: The Fifth Estate Consultancy Pty Ltd				
Project: Provision of a timber market survey and preparation of a quarterly report to provide information on prices and trends in Australian wood product markets	334,878	669,756	→	PNA116-0809
Research Provider: URS Australia Pty Ltd				
Investment Priority 2. Timber construction in residential buildings				
Project: Adoption of new efficient framing technology (research) via amendment to AS 1684	76,632	76,632	✓	PRA120-0809
Research Provider: Timber Queensland Ltd				
Project: Assessment of future trends in size and design preference for domestic and light commercial decking applications	79,000	117,000	✓	PNA134-0809
Research Provider: Timber Development Association – NSW				
Project: Consulting services to provide assessment of potential impacts of proposed wind loading code (AS1170.2) amendments	1,680	1,680	✓	PRA163-0910
Research Provider: Timber Queensland Ltd				
Project: Determining means of improving the thermal performance of light-weight domestic construction while validating the regulatory thermal performance model, AccuRate, against test buildings, particularly those with light-weight timber floor construction	286,000	586,000	✓	PNA001-0405
Research Provider: University of Tasmania				
Project: Development of a FWPA Bushfire Investment Plan to demonstrate the positive attributes of industry's forest management activities (plantation and native forests) and support the use of wood products in bushfire-prone areas	20,000	20,000	✓	PRA117-0809
Research Provider: TPC Solutions Pty Ltd				
Project: Development of technical educational resources and support of Continuing Professional Development, tertiary and trade level education and training to support and educate existing and future users/specifiers of timber products.	700,000	1,400,000	→	PNA024-0809
Research Provider: TPC Solutions Pty Ltd				
Project: Reducing fire regulatory barriers and standards on timber and wood products	739,900	1,000,900	→	PNA025-0809
Research Provider: Timber Development Association – NSW				
Project: Specification guide for timber door and windows: A design and technical guide for the specification and timber joinery industry to using timber windows and door joinery in buildings for all types	120,000	280,000	✓	PNA009-0708
Research Provider: University of Tasmania				
Project: Testing of roof systems under flame zone conditions See page 36 of this report for details	75,700	75,700	✓	PRA133-0809
Research Provider: Exova Warringtonfire				

PROJECT DESCRIPTION	FWPA INVESTMENT \$	TOTAL PROJECT COST \$	STATUS	PROJECT NO.
Project: The Australian multiresidential timber framed market	15,000	15,000	→	PRA165-0910
Research Provider: Housing Industry Association				
Project: Timber product opportunities in the house remodelling market	92,000	138,000	✓	PNA123-0809
Research Provider: Timber Development Association – NSW				
Investment Priority 3. Timber construction in commercial and industrial buildings				
Project: Contemporary sound and fire rated timber framed construction practices for low rise building (residential and commercial)	350,000	500,000	✓	PNA011-0708
Research Provider: Timber Development Association – NSW				
Project: Innovative engineered timber building systems for non-residential applications, utilising timber concrete composite flooring capable of spanning up to 8 to 10m See page 37 of this report for details	300,000	629,772	✓	PNA012-0708
Research Provider: University of Technology Sydney				
Project: Recognising opportunities and constraints to increasing the market for structural and appearance timber products in multi-residential, commercial and industrial building	45,000	90,500	✓	PNA140-0809
Research Provider: University of Tasmania				
Project: The development and implementation of innovative and sustainable structural timber building technologies (STIC)	1,250,000	8,836,206	→	PRA028-0809
Research Provider: Structural Timber Innovation Company Ltd				
Investment Priority 4. Appearance timber products and markets				
Project: Development of FWPA investment plan for appearance timber products and markets	13,545	13,545	✓	PRA164-0910
Research Provider: Doug Bartlett				
Investment Priority 5. Wood products in sustainable buildings				
Project: Carbon storage in paper and composite wood products in landfills	120,000	630,000	→	PRB180-0910
Research Provider: Industry & Investment NSW				
Project: Comparative life cycle assessment study of various residential buildings	85,200	85,200	✓	PNA147-0809
Research Provider: RMIT University				
Project: Development of an Australian life cycle assessment methodology for building products	73,000	73,000	→	PRA026-0809
Research Provider: Timber Development Association (NSW) Ltd				
Project: Development of an embodied CO ₂ emissions module for AccuRate	97,000	139,000	→	PNA161-0910
Research Provider: CSIRO				
Investment Priority 7. Solid wood, engineered wood and pulp and paper products: Performance and yield				
Project: Accelerated H3 decay testing for the faster evaluation of alternative preservative timber treatments	225,000	477,000	→	PNB041-0708
Research Provider: CSIRO				
Project: Assessment of the durability of isocyanate-based adhesives to determine the potential to reduce the manufacturing costs and environmental footprint of engineered wood products See page 36 of this report for details	900,000	1,728,572	✓	PNB034-0506
Research Provider: CSIRO				
Project: Certification of ATCA (testing laboratory for EWPAAs) as an approved third party certification agency under CARB	28,000	56,000	✓	PRB144-0809
Research Provider: AWPA Test Centre Association Inc (ATCA)				

PROJECT DESCRIPTION	FWPA INVESTMENT \$	TOTAL PROJECT COST \$	STATUS	PROJECT NO.
Project: Concept proof: New generation, hi-performance wood products coated or encapsulated in zero-waste powder coating	295,000	590,000	✓	PNB156-0910
Research Provider: CSIRO				
Project: Determining optimised H3 LOSP treatment options for decay protection in softwood glulam	79,481	159,281	➔	PNB038-0708
Research Provider: CSIRO				
Project: FWPA support for Plantation Hardwood Research project 'High value timber composite panels from hardwood plantation thinnings' See page 32 of this report for details	100,000	1,330,878	➔	PRB145-0809
Research Provider: Queensland Department of Employment, Economic Development and Innovation				
Project: Glulam design based on lamination grades and the use of mill shorts	110,000	279,558	➔	PNB157-0910
Research Provider: Monash University				
Project: Green adhesives: Options for the Australian industry – summary of recent research into green adhesives from renewable material See page 32 of this report for details	36,000	47,327	✓	PNB158-0910
Research Provider: CSIRO				
Project: Improve understanding of the performance of plywood manufactured from plantation grown eucalypts for forest growers and processors	25,000	69,000	✓	PRB046-0809
Research Provider: Forestry NSW				
Project: Improving the durability of low durability plantation hardwoods for use as power poles	216,000	482,000	➔	PNB146-0809
Research Provider: Queensland Department of Employment, Economic Development and Innovation				
Project: Investigation of NDE technologies for improved drying quality to optimise kiln drying schedules, reduce drying degrade and accelerate kiln throughput in the hardwood sawmilling industry	178,400	309,100	➔	PNB126-0809
Research Provider: CSIRO				
Project: NIR assessment of resin quality for composite panel production	115,000	232,043	➔	PNB169-0910
Research Provider: CSIRO				
Project: Pine timber roof environments in Western Australia and its susceptibility to European House Borer	600,500	1,682,500	➔	PNA023-0809
Research Provider: Department of Agriculture and Food WA				
Project: Provision of technical support to A3P and TM-003 Committee for restructuring of AS/NZS1748 standard in response to industry questions regarding the use of new machine stress grading technologies	25,000	25,000	✓	PRB155-0910
Research Provider: TimberED Services Pty Ltd				
Project: Review of, and recommendations for, research into preventing or ameliorating drying related internal and surface checking in commercially important hardwood species in south-eastern Australia	52,134	89,268	✓	PNB047-0809
Research Provider: CSIRO				
Project: Schedule development, predictive modelling and economic viability assessment of vacuum drying Australian commercial hardwoods for potential industry investment	296,000	608,000	➔	PNB045-0809
Research Provider: Queensland Department of Employment, Economic Development and Innovation				
Project: The Aus/NZ Solid Wood Initiative: Better performing structural products manufactured with higher efficiency and using less energy and water	1,627,174	8,887,174	➔	PNB131-0809
Research Provider: WQI Ltd				
Project: Review of the potential impact of VOC emissions on the future market share for engineered wood products. See page 35 of this report for details	\$60,000	\$88,200	➔	PNB043-0708
Research Provider: CSIRO				

PROJECT DESCRIPTION	FWPA INVESTMENT \$	TOTAL PROJECT COST \$	STATUS	PROJECT NO.
Investment Priority 8. Maximising product yields and values from current resources				
Project: Development of selection and implementation guide for the use of onboard systems for improved efficiency and value recovery in Australian forest operations	348,000	721,038	➔	PNC119-0809
Research Provider: CRC Forestry Limited				
Project: Impact of internal checking on the log and timber value of fire salvage ash type sawlogs	83,000	238,800	➔	PNB182-0910
Research Provider: VicForests				
Project: MOE and MOR assessment technologies for improving graded recovery of exotic and radiata pines in Australia See page 34 of this report for details	235,000	450,000	✔	PNB040-0708
Research Provider: Queensland Department of Employment, Economic Development and Innovation				
Project: The impact on the properties, market utilisation, and profitability of retaining sapwood on the sawn boards of plantation and young hardwoods to increase volume recovery and average board width See page 34 of this report for details	240,000	486,220	✔	PNB039-0708
Research Provider: University of Tasmania				
Project: The potential to recover higher value veneer products from Fibre Managed Plantation Eucalyptus and broaden product and market opportunities for this resource	240,000	640,000	➔	PNB139-0809
Research Provider: University of Tasmania				
Project: Western Australian Softwood Resource Evaluation: a survey of key characteristics of the <i>Pinus radiata</i> and <i>Pinus pinaster</i> resources in Western Australia with links to product performance of trees sampled from each resource, as determined by a processing study See page 33 of this report for details	142,000	274,000	✔	PNC059-0809
Research Provider: CSIRO				
Investment Priority 9. Improving wood quality and yield, and tools for forest management				
Project: Adoption of new airborne technologies for improving efficiencies and accuracy of estimating standing volume and yield modelling in <i>Pinus radiata</i> plantations	125,215	456,411	➔	PNC058-0809
Research Provider: NSW Department of Primary Industries				
Project: Compromised Wood: Improving the properties of young radiata pine using fundamental chemical studies and NDE techniques	75,000	2,906,000	➔	PNC056-0809
Research Provider: University of Canterbury				
Project: CRC for Forestry participant contribution	700,000	29,260,000	➔	PNC065-0607
Research Provider: CRC Forestry Limited				
Project: Growth predictions in private Spotted Gum dominant forests in Queensland and northern NSW to provide landholders with silvicultural tools to assist them in Spotted Gum stand management See page 33 of this report for details	225,424	884,493	✔	PNC075-0708
Research Provider: Queensland Department of Employment, Economic Development and Innovation				
Project: Managing subtropical pines for improved wood production based on a better understanding of genetics, silviculture, environment and their interactions	355,270	746,017	➔	PNC057-0809
Research Provider: Forestry Plantations Queensland Pty Ltd				
Project: Review of the science of public native forest management for sustainable timber production in Victoria	19,500	19,500	➔	PRC174-0910
Research Provider: Forsci Pty Ltd				

PROJECT DESCRIPTION	FWPA INVESTMENT \$	TOTAL PROJECT COST \$	STATUS	PROJECT NO.
Project: The Forest Productivity Optimisation System – A decision support tool for enhancing the management of planted forests in southern Australia under changing climate	482,207	1,580,881	➔	PNC168-0910
Research Provider: CRC Forestry Limited				
Investment Priority 10. Genetic improvement and delivery for increased wood yield and quality and for managing risks				
Project: Accelerated breeding for high pulp yield in <i>E. nitens</i> using DNA markers identified in 100 cell wall genes: The Hottest 100 See page 37 of this report for details	393,182	988,185	✓	PNC052-0708
Research Provider: CSIRO				
Project: Active genetic conservation and utilization of native radiata pine germplasm for increasing genetic gain of growth, form and wood quality, and risk traits	210,000	820,925	➔	PNC135-0809
Research Provider: CSIRO				
Project: Analysis of genetic and tree performance data across whole of industry using TREEPLAN to identify superior trees to lift productivity, quality and economic value of the forestry resource	375,000	939,554	➔	PNC076-0809
Research Provider: Southern Tree Breeding Association				
Project: Development and submission of an integrated industry and FWPA research and development investment plan with associated industry adoption and technology transfer strategy for genetics and tree breeding improvement	34,505	34,505	✓	PRE149-0910
Research Provider: Sands Forestry Services				
Project: Development of breeding objective and economic weights for disease, insect and drought resistance for radiata pine	98,023	435,495	✓	PNC069-0708
Research Provider: CSIRO				
Investment Priority 11. Water use efficiency, access to resources and balanced policy outcomes				
Project: Development of FWPA Research & Development Plan for water use efficiency, access to resources and balanced policy outcomes	29,812	29,812	➔	PRC181-0910
Research Provider: Sands Forestry Services				
Project: Methods to accurately assess water allocation impacts of plantations	200,000	200,000	➔	PRC115-0809
Research Provider: CSIRO Water for a Healthy Country Flagship				
Project: Predicting <i>Eucalyptus nitens</i> plantation water use using growth parameters	303,000	828,270	➔	PNC143-0809
Research Provider: Forestry Tasmania				
Investment Priority 12. Forest biosecurity and preparedness				
Project: An audit of forest biosecurity arrangements and preparedness in Australia	95,040	193,234	➔	PNC159-0910
Research Provider: University of Tasmania				
Project: Introduction of the wasp, <i>Diaeretus essigellae</i> , for the biocontrol of pine aphid in Australia	1,022,629	1,564,069	➔	PNC063-0607
Research Provider: South Australian Research & Development Institute				
Project: Rapid screening of commercial forestry species to <i>Uredo rangelii</i> (myrtle rust) and distinguishing <i>U. rangelii</i> from <i>Puccinia psidii</i> (guava rust)	21,843	21,843	➔	PRC179-0910
Research Provider: Industry & Investment NSW				

PROJECT DESCRIPTION	FWPA INVESTMENT \$	TOTAL PROJECT COST \$	STATUS	PROJECT NO.
Investment Priority 13. Mitigation of and adaptation to climate change and the management of the carbon cycle in plantations and native forests				
Project: Assessing sensitivity and vulnerability to, and a preliminary examination of adaptation options for, Australia's plantation estate under climate change scenarios	180,711	432,538	✓	PNC068-0708
Research Provider: CSIRO				
Project: FWPA Investment Plan: Mitigation of and adaptation to climate change and the management of the carbon cycle in plantation and native forests	16,605	16,605	➔	PRC173-0910
Research Provider: G A Kile				
Project: FWPA Investment Plan: Mitigation of and adaptation to climate change and the management of the carbon cycle in plantation and native forests	12,000	12,000	➔	PRC177-0910
Research Provider: UMEE Ltd				
Project: Parameters for describing sustainable landscape carbon stocks and for integrating the impact of forest and timber utilisation into overall carbon dynamics	82,000	97,500	➔	PRC162-0910
Research Provider: CRC Forestry Limited				
Investment Priority 14. Other				
Project: Enhancing the knowledge base in key areas of timber production and use	59,500	118,000	➔	PND184-0910
Research Provider: University of Tasmania				
Project: Contribution of CAR reserves to mature forest biodiversity in production forest landscapes	260,000	522,474	➔	PNC142-0809
Research Provider: Forestry Tasmania				
Project: Development of a draft forest-sector Research, Development and Extension Strategy as specified in the intergovernmental agreement on a National Framework for Primary Industries Research, Development and Extension	30,079	30,079	✓	PRE127-0809
Research Provider: Sarre et al. Pty Ltd				
Project: Evaluation of ethyl formate and nitrogen for disinfestation of eucalyptus weevil on export apples	15,000	15,000	➔	PRC178-0910
Research Provider: Horticulture Australia Limited				
Project: Forest industry cooperative pesticide research, chemical registration, industry and community education and chemical use and application regulation advice consortium	499,123	999,123	➔	PNC176-0910
Research Provider: Australian Plantation Products & Paper Industry Council				
Project: Forestry and wood products R&D funding environmental scan	49,000	49,000	➔	PRE171-0910
Research Provider: Howard Burvill				
Project: Joint Venture for Agroforestry Program (JVAP) provides knowledge to underpin profitable, sustainable and resilient agroforestry within Australian farming systems and landscapes in the light of the dramatically changing contexts of climate change (JVAP 2005-2009)	400,000	4,200,000	✓	PNC066-0607
Research Provider: Rural Industries R&D Corporation				
Project: Research and development program evaluation	72,782	72,782	✓	PRE175-0910
Research Provider: URS Australia Pty Ltd				
Project: Review and summary of approximately 58 FWPA Market Access and Development (MAD) projects completed from 2002	7,500	7,500	➔	PRA166-0910
Research Provider: Wood Products Victoria				



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This publication can be downloaded from the Forest & Wood Products Australia web site, www.fwpa.com.au.

AUDITORS:
WHK Horwath Melbourne
BDO Kendalls

BANKERS:
Commonwealth Bank of Australia
National Australia Bank

DESIGN & PRODUCTION:
Designgrant

