



Chairman's Report to 30 June 2013



Doug Ducker

Chairman's Report : 2012 / 13

The Wood Council of New Zealand (Woodco) was incorporated under the Incorporated Societies Act 1908 on 2 March 2006. I am pleased to present the 2013 Annual Report, the seventh to cover a full financial year.

Introduction to Woodco

Woodco's membership retains the following industry associations:

1. Wood Processors
2. Forest Owners
3. Farm Forestry
4. Pine Manufacturers
5. Forestry Industry Contractors

Woodco Council members at 30 June 2013 include:

Processor's Group

1. Brian Stanley
2. Doug Ducker
3. Tom Boon
4. Jon Ryder
5. Tim Rigger

Producer's Group

1. Bill McCallum
2. Ian Jackson
3. Jacob Kajavala
4. Paul Nicholls

Woodco's management committee includes Chief Executives of the member associations and is chaired by Doug Ducker. The management committee is the team responsible for implementation of the Strategic Plan and other significant projects including NZ Wood.

Objective of Woodco

Woodco seeks to represent, in a unified manner, the collective interests of the entire forest industry in order to enhance positive opportunities and outcomes for the sector.

Time for reflection

This is my last report as the inaugural Woodco chair. In stepping down, I am pleased to note that Woodco continues to deliver on its objective of unifying the industry with members now working together to raise export earnings by 2022 from the current \$4.7 billion to \$12 billion. This is in-line with the target of Woodco's Strategic Action Plan launched in 2012.

Woodco was created in 2006 and I was elected to the chair on 21 August in that year. As I look back to that time we were just starting to build the foundations of Woodco's flagship project, NZ Wood, and were already focusing on New Zealand's trade relations with Asia. Studies also involved participation in developing China's Fire Code. The new organization was formed as a substitute for the Forest Industry Council and enveloped full industry involvement include the newly formed Wood Processor's Assn.

Woodco's aim has always been high. We have attempted to tackle issues that affect the whole industry and, as such, have always engaged at Ministerial level and across parties. Policy matters over the years have included trade access, climate change, monetary policy, national R&D policy, safety, energy, standards, training, biosecurity and free trade agreements. All of this was carried out on a limited budget in line with the original intent. Our successes demonstrate the willingness of the sector to come together and act collegially to solve mutual problems.

Many said that our industry is too diverse to cooperate? In my seven years leading Woodco I would dispute that view however on occasions the challenges have been great.

The Council represents very diverse and often conflicting needs with both corporate and private ownerships / interest.

The contribution and commitment of various Council members has at time far exceeded expectations and has been truly appreciated.

So enough personal reflection from me. I would like to reflect on what Woodco has achieved in this financial year

Strategic Action Plan (SAP)

Woodco launched its SAP in 2012 as the headline event at the national ForestWood Conference in Wellington. From the Woodco perspective the next important step in the SAP process was to look at what a new industry would need to look like in 10 years' time if we are to achieve our target.

To achieve this forward look Woodco commissioned a team from Scion and Canada's FP Innovations to carry out the work. I want to take this opportunity to thank the Ministry for Primary Industries and New Zealand Trade and Enterprise for co-funding this work along with Woodco.

What did the Woodscape Study do? Based on successes of using a similar model in Canada Woodscape developed a NZ-specific, techno-economic model that can be used to evaluate potential opportunities for investment in new and emerging wood-processing technologies.

The main message emerging from the work was that the NZ processing industry has faced tough times with the substantial impact of the global financial crisis, a high NZ dollar and consequent low investment returns from primary processing options such as sawmilling. That said, primary processing technologies like sawmilling are vital to the future of a vibrant wood processing industry because sawmillers pay market prices for logs and supplement their income by selling residues, like wood chip to other processors. Without the primary processing sector, new secondary processing options like bio-fuels and bio-chemicals are less viable.

I see that there is a lot of enthusiasm out there for new, high-value products from wood and I am convinced that we will see that value untapped. That said, we must ensure that our core business of low lost wood processing regains vitality and producing the residues at a price that will allow us to build these new, adjunct industries over the coming 10 years.

The next stage for the SAP then must be to answer the question of how we put profitability back into mainstream wood processing so that we enable innovation, create jobs and grow the sector. I will watch with interest.

NZ Wood

NZ Wood went into its second year as an industry-only financed activity. The reduced levels of funding continued to challenge the depth of the programme.

I am pleased that NZ Wood continued to maintain industry profile by running the NZ Timber Design Awards and holding the first event in the Timber Smart Series. We have known for some time that lack of knowledge and confidence amongst engineers and specifiers is a real barrier to greater use of wood in construction. These events help to build that confidence. I hope that NZ Wood will continue to focus here.

Bringing top Canadian architect Ty Farrow to NZ helped the cause even more by showing just what is possible in wooden building design. I am confident that we will see a lot more STIC-type buildings in NZ – New Zealanders inherently know that wood makes good sense in this part of the world.

Against the backdrop of reduced funding NZ Wood had to be re-structured. We disestablished the CEO position and delegated management to the two main Woodco parties FOA and WPA. I would very much like to see NZ Wood re-built from this base and put on a more sustainable funding base.

Looking Forward

Woodco has been a unifying influence on the industry over the past seven years. Woodco has set the blueprint for integration. I watch now as the forest growers work to create a commodity levy encompassing all forestry businesses in NZ, large and small. A levy with the sole purpose being to fund collective action. WPA is also on a path to merge with PMA – a move that links up the value add part of industry. With these amalgamations in place Woodco maintains a role to keep growers and processors cooperating and that is vital to the future of this sector – good fortune to all



Doug Ducker - Chairman

**Wood Council of New
Zealand (Woodco)
Incorporated**

Financial report
for the year ended 30 June 2013



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Approval of financial report

The Board is pleased to present the financial report, including the financial statements of Wood Council of New Zealand (Woodco) Incorporated, for the year ended 30 June 2013.

Chairman

Dated: 11-11-2013





Company directory

as at 30 June 2013

Nature of business	Industry representation for promotion of New Zealand wood products, including the operation branch of NZ Wood which promotes New Zealand forests and wood resources
Registered office/ Location of business	Level 9 93 The Terrace Wellington
Accountants	Jon Holmes KPMG 10 Customhouse Quay Wellington 6011
Auditor	D M Lander 19-21 Broderick Road Johnsonville Wellington 6037
Bankers	ANZ Kilbirnie
Executive	Doug Ducker (Chairman) Bill McCallum Ian Jackson Brian Stanley Tom Boon Jon Ryder Tim Rigter Jacob Kajavala Paul Nicholls





Wood Council of New Zealand (Woodco) Incorporated

Financial report for the year ended 30 June 2013

Statement of financial performance

for the year ended 30 June 2013

	Note	2013 \$	2012 \$
Revenue			
Membership fees		52,500	52,500
Woodco strategic action plan		12,100	80,000
Interest received		2,241	-
		66,841	132,500
Expenses			
Administration	1	44,057	120,932
Net business surplus		22,784	11,568
Other income/(expenses)			
SFF greenhouse gas footprint	2	-	-
Woodscape project	3	-	-
NZ Wood trading account	4	(179,470)	(136,868)
Operating deficit before tax		(156,686)	(125,300)
Tax expense	5	942	1,206
Net deficit		(157,628)	(126,506)

These statements have been subject to audit and should be read in conjunction with the statement of accounting policies and the notes to the financial statements.





Statement of movements in equity

for the year ended 30 June 2013

	Note	2013 \$	2012 \$
Net deficit for the year		(157,628)	(126,506)
Equity at beginning of year		293,672	420,178
Equity at end of year		136,044	293,672

These statements have been subject to audit and should be read in conjunction with the statement of accounting policies and the notes to the financial statements.





Wood Council of New Zealand (Woodco) Incorporated

Financial report for the year ended 30 June 2013

Balance sheet

as at 30 June 2013

	Note	2013 \$	2012 \$
Equity		136,044	293,672
Current assets			
Cash and bank balances	6	133,551	222,572
Accounts receivable		28,750	134,660
Interest receivable		947	-
GST refund		23,906	3,822
Total assets		187,154	361,054
Current liabilities			
Cash and bank balances	6	-	4
Accounts payable		50,168	63,460
Visa - NZ Wood		-	2,712
Income tax payable	5	942	1,206
Total liabilities		51,110	67,382
Net assets		136,044	293,672

These statements have been subject to audit and should be read in conjunction with the statement of accounting policies and the notes to the financial statements.



Statement of accounting policies

for the year ended 30 June 2013

Basis of preparation

The Wood Council of New Zealand (Woodco) Incorporated, including the branch of NZ Wood, is an association incorporated under the Incorporated Societies Act of 1908. The financial statements have been prepared using generally accepted accounting practice.

The accounting principles recognised as appropriate for the measurement and reporting of earnings and balance sheet on a historical cost basis have been used, with the exception of certain items for which specific accounting policies have been identified.

Differential reporting

In terms of the framework for differential reporting an entity is exempt from certain requirements of financial reporting standards if it satisfies the criteria laid down in the framework; such an entity is called a qualifying entity. Wood Council of New Zealand (Woodco) Incorporated is an entity qualifying for differential reporting exemptions as it has no public accountability and is not large in terms of the criteria set out in the Differential Reporting Framework.

All differential reporting exemptions have been adopted.

Receivables

Receivables are stated at estimated realisable value after providing against debts where collection is doubtful. Bad debts are written off during the period in which they are identified.

Taxation

As an incorporated society the Wood Council of New Zealand Incorporated is only required to return income arising from transactions from external sources.

Goods and services tax

All amounts are shown exclusive of Goods & Services Tax (GST), except for receivables and payables which are shown inclusive of GST.

Audit

These financial statements have been subject to audit, please refer to Independent Auditor's report.

Contingent liabilities

The Wood Council of New Zealand (Woodco) Incorporated does not have any capital commitments or contingent liabilities unrecorded in the balance sheet as at balance date (2012: nil).

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

Subsequent events

There have been no subsequent events that would affect the financial statements post balance date.

Notes to the financial statements

1	Administration	2013	2012
		\$	\$
	Accounting	5,426	4,277
	Advertising	-	200
	Audit fees	2,290	1,430
	Bank charges	61	76
	General expenses	120	137
	Subscriptions	3,500	3,500
	Secretarial fees	15,000	15,000
	Woodco strategic action plan	12,520	84,146
	Forestwood conference	2,017	5,367
	Telecommunications	1,662	3,529
	Travelling & accommodation	933	3,270
	Website	528	-
		44,057	120,932
2	SFF greenhouse gas footprint	2013	2012
		\$	\$
	Income		
	SFF greenhouse gas footprint income	-	39,982
	Less expenses		
	SFF greenhouse gas footprint expenses	-	39,982
	Net SFF greenhouse gas footprint surplus	-	-
3	Woodscape project	2013	2012
		\$	\$
	Income		
	Woodscape project income	300,000	-
	Less expenses		
	Woodscape project expenses	300,000	-
	Net woodscape project surplus	-	-

Notes to the financial statements

4	NZ Wood trading account	2013	2012
		\$	\$
	Income		
	NZ Wood fees	335,000	750,000
	Website advertising	-	8,450
	Interest received	2,123	5,992
	Project income	-	84,037
	TDA 2012 Entries/Sponsors	47,684	8,839
	Sundry	12,797	6,522
		397,604	863,840
	Less expenses		
	Accounting fees	7,800	4,355
	Administration fees	4,041	33,027
	Advertising	141,599	205,576
	Audit fees	2,290	1,500
	Bank fees	663	612
	Canterbury rebuild	-	26,998
	Conferences/seminar expenses	1,543	40,383
	Design	-	13,552
	Entertainment	1,311	-
	General expenses	620	-
	IT/Computer expenses	3,285	4,000
	Legal fees	5,087	1,050
	Public relations	5,061	67,920
	Rent and Rates	8,852	6,913
	Sponsorship	40,175	31,669
	Staff costs	183,065	230,111
	Strategy, leads & projects	-	8,378
	Subcontractors/consultants	25,788	112,381
	Telephone	6,277	9,749
	Timber Design Awards 2011	-	97,389
	Timber Design Awards 2012	60,361	14,015
	Travel	20,325	37,203
	Website	58,931	53,927
		577,074	1,000,708
	Net NZ Wood trading account deficit	(179,470)	(136,868)

Notes to the financial statements

5	Tax	2013	2012
		\$	\$
	Operating surplus/(deficit) before tax	(156,686)	(125,300)
	Adjustments for differences		
	Permanent differences		
	Non-assessable member income	175,207	115,400
	Timing differences		
	Current year accounting and audit accrual	7,050	6,000
	Prior year accounting and audit accrual	(6,000)	(6,000)
	Holiday pay accrual movement	(5,699)	5,699
	63 day adjustment	2,493	(2,493)
	Bonus accrual movement	(12,000)	12,000
		161,051	130,606
	Incorporated society exemption	(1,000)	(1,000)
	Taxable income	3,365	4,306
	Tax expense	942	1,206
	Resident withholding tax paid	-	-
	Income tax payable	942	1,206

All income other than interest income, including the income in the NZ Wood trading account, has been derived from Wood Council of New Zealand (Woodco) Incorporated members. Only the interest income is assessable for tax purposes.

6	Cash and bank balances	2013	2012
		\$	\$
	Current account - Woodco	113,305	11,190
	Savings account - Woodco	9,455	(4)
	Call account - Woodco	21	20
	Current account - NZ Wood	10,465	99,370
	Call account - NZ Wood	305	111,992
		133,551	222,568
	Total cash and bank balances classified as follows:		
	Current assets	133,551	222,572
	Current liabilities	-	(4)
		133,551	222,568



Notes to the financial statements

7 Related parties

There were no transactions involving related parties during the year, other than those already disclosed elsewhere in these financial statements.

8 NZ Wood assets and liabilities

The following items included within the balance sheet of Wood Council of New Zealand (Woodco) Incorporated relate to NZ Wood:

	2013 \$	2012 \$
Equity	9,473	196,600
Current assets		
Cash and bank balances	10,770	211,362
Accounts receivable	-	134,660
GST refund	3,403	-
Total assets	14,173	346,022
Current liabilities		
Accounts payable	4,700	49,119
Advance from Woodco	-	76,974
Visa - NZ Wood	-	2,712
GST payable	-	20,617
Total liabilities	4,700	149,422
Net assets	9,473	196,600



Notes to the financial statements

9 Operating lease commitments

On 13 September 2012, NZ Wood entered into a memorandum agreement for the rental of office space in the Forestwood Centre from New Zealand Forest Owners' Association.

The rental term is for a period of 6 years with right of renewal.

	2013	2012
The lease commitment is as follows:	\$	\$
Current portion	6,922	6,922
Non current portion	27,689	34,611
	34,611	41,533



INDEPENDENT AUDITOR'S REPORT

To the Members of the Wood Council of New Zealand (Woodco) Incorporated.

I have audited the financial statements of Wood Council of New Zealand (Woodco) Incorporated on pages 2 to 12 which comprise the Balance Sheet as at 30 June 2013 and the Statement of Financial Performance and the Statement of Movements in Equity for the year then ended, and summary of significant accounting policies and other explanatory information.

Council Responsibilities of the Financial Statements:

The Council is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal control as the Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities:

My responsibility is to express an opinion on these financial statements based on our audit. I have conducted my audit in accordance with International Standards on Auditing (New Zealand). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other than in my capacity as auditor I have no relationship, or interest in the Wood Council of New Zealand (Woodco) Incorporated.

Opinion

In my opinion, the financial statements on pages 2 to 12 present fairly, in all material respects the financial position of Wood Council of New Zealand (Woodco) Incorporated as at 30 June 2013 and its financial performance and movements in equity for the year then ended in accordance with generally accepted accounting practice in New Zealand.

Report on Other Legal and Regulatory Requirements

I have obtained all the information and explanations that I required. In my opinion proper accounting records have been kept by Wood Council of New Zealand (Woodco) Incorporated as far as appears from those examinations of those records.



Denis Lander
Auditor

11 November 2013