

Understanding VicForests' Customer Credit Policy

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UNDERSTANDING VICFORESTS' CREDIT POLICY

This document outlines VicForests' policy in relation to establishing the creditworthiness of its customers and participants in VicForests' sales processes. Additionally, VicForests' debt management arrangements are outlined. This document is summarised from VicForests' internal policy document Customer Credit Policy dated November 2011.

Credit Limits

VicForests' standard sales agreement conditions provide for credit of 30 days from the date an invoice is rendered.

Before a new customer begins trading with VicForests, VicForests will establish with the customer a suitable credit limit based on the customer's individual supply requirements and creditworthiness. Taking VicForests' standard terms into account, the credit limit will generally need to cover 3 months or 25% of the annual average supply value across all contracts. Creditworthiness will be established via a credit evaluation based on financial data, trade references and any further information that VicForests deems material.

Credit limits up to \$100,000 may be established based on 3 satisfactory trade references.

Credit limits exceeding \$100,000 may only be granted once an assessment by an independent mercantile agency has been successfully established.

Credit limits will be re-assessed on an annual basis, but may be assessed more frequently if a customer's circumstances change or if a customer requests a review.

Security Requirements

During credit evaluation or re-assessment, VicForests will establish whether the credit limit the customer would require to fulfil their supply needs on standard terms is fully supported by references, trading history and/or mercantile assessments. If not, VicForests will require additional security before granting an increased credit limit. Security may take the form of a bank guarantee, insurance bond, personal directors' guarantee, parent or cross Company guarantee or cash deposit.

In some circumstances, VicForests may also tailor the customer's payment terms, including accelerated payment terms (eg within 14 days or 7 days) or even payment in advance.

Sales Process requirements

VicForests employs a range of competitive sales processes, including auctions, requests for tender and proposals. Participants are assessed for their credit worthiness, amongst other factors, as part of these processes.

VicForests' auctions involve the application of Capacity Limits and securities to ensure the integrity of bidding during an auction event. Capacity Limits are defined in the Auction Rules.

Following the award of Agreements, the processes for assessment and the application of credit limits for log supply apply as outlined above.

Timber may be forward sold over a number of years. During this time the creditworthiness of customers may substantially change. Where pertinent, credit limits will be reviewed and if necessary an amended security requested before new supply commences.

Management of Log supply

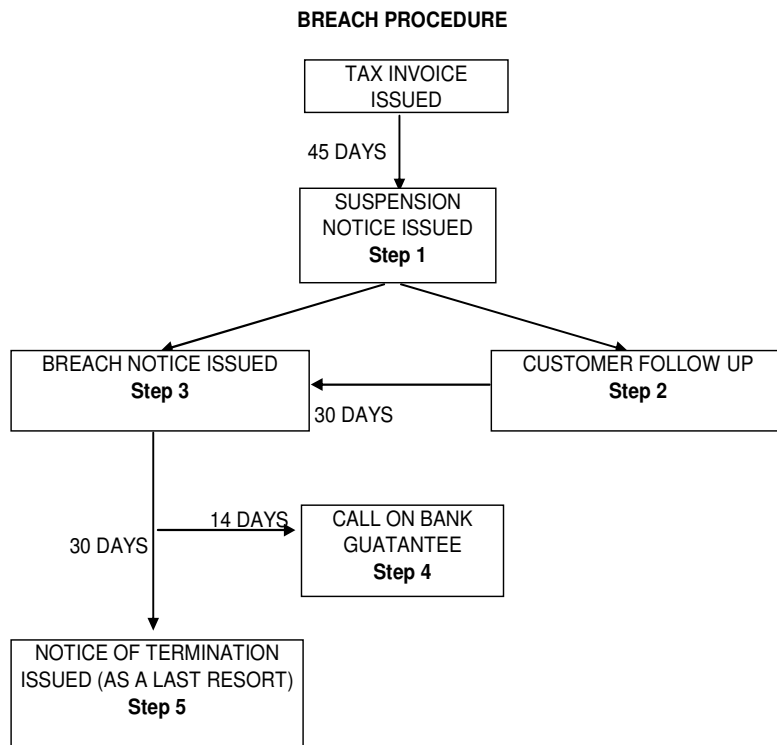
Supply to a customer should not exceed the customer's credit limit and / or the value of log deliveries scheduled on the Buyer Operations Plan within any particular month.

Customers who exceed their credit limit by more than 10%, may have their log supply suspended until an interim payment is received. In addition, where a credit limit is exceeded for more than 3 months, a review of the customer's credit limit may be required.

Procedures for Debt Management

A customer must provide timely advice to VicForests if it cannot meet the payment terms of its Agreements. Where a customer can demonstrate that it has issues with short term cash flow and is highly likely to be able to repay outstanding debts in the short term, but after the account due date, a debt repayment plan may be agreed. Where a repayment plan cannot be agreed, log supply may be suspended 30 days after payment becomes overdue. Should repayment arrangements remain unresolved, a Breach Notice may be issued. If default is not remedied, VicForests may within 14 days of the issue of the Breach Notice call on the customer's security. In the event the default is not remedied within 30 days of the issue of the Notice of Breach, a Notice of Termination may be issued as a last resort.

Late payments incur interest charges in line with the Penalty Interest Act 1983.



Privacy and Confidentiality

All financial information pertaining to third parties that is collected by VicForests is treated as strictly commercially confidential and managed accordingly.

When undergoing a credit assessment with an assessment agency, the customer provides information directly to that agency. At no point does VicForests have access to the customer's financial information. VicForests receives a report that describes the customer's financial performance against a number of criteria and a table of credit ratings by financial risk.

New Customers

Potential new customers, other than participants in a defined sales event are requested to complete a Credit Application Form (Attachment 1). Participants in an Auction or other sales process must complete the relevant application form released in conjunction with a specific event.

Attachment 1 - Credit Application Form

Company Name					
ABN		How many years has this company been trading			
Address					
City		State		Post-code	
Full name and address of Directors					
Director 1					
Address					
Director 2					
Address					
Name & position of person completing the form					
Telephone No.					
Email address					
Do you agree to VicForests undertaking an independent credit assessment?				Yes / No	
Are you willing to supply a bank guarantee, directors' guarantee or other security if required?				Yes / No	
What annual trading value / turnover do you expect with VicForests?			\$.....(GST excl)		
Required Credit Limit (2.5 to 3 times monthly turnover)			\$.....(GST excl)		

Please provide:

Name of Accounts Payable contact		
Telephone		
References	Reference 1: Company Name	
	Contact details	
	Reference 2: Company Name	
	Contact details	
	Reference 3: Company Name	
	Contact details	

Signed: _____ **Name:** _____ **Date:** _____

Please return this application to:
Finance Department, VicForests, GPO Box 191 Melbourne Victoria. 3001

Please Note that by providing these details you have authorised us to request information from your referees. We will keep confidential, pursuant to the Privacy Act 1988, any information provided to us.